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Emerging Asian Economies and multinational enterprises' (MNEs) Strategies

Focusing on Chinese MNE's activities

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Content

1. Motivation and background

The rise of multinational enterprises (MNEs) from emerging markets is topical, important and poses a number of questions and challenges that require considerable attention in the future from academia as well as business management. Outward foreign direct investment (OFDI) from Asian emerging regions is not a new phenomenon, what is new, is the magnitude that this phenomenon has achieved over the past two decades. The recent takeovers of high-profile companies in developed or developing countries by Asian emerging-market MNEs – such as Lenovo, Wanhua (China), Hindalco (India), etc. – as well as the greenfield or brownfield investments of emerging companies (such as Huawei, ZTE, Tata, etc.) show a new trend where new kind of firms become major players globally. According to the World Investment Report investments from emerging-markets reached a record level: based on UNCTAD data, developing Asia now invests abroad more than any other region (UNCTAD 2013).

Today, the rise of emerging-market MNEs is driven by the Asian economy, mainly China and India, however, this process is broader, incorporates a growing number of developing economies and complemented by the growing share of emerging markets in world exports (Sauvant 2008, Nölke 2014). In addition, Asian emerging-market MNEs have become important players in several regions around the globe, ranging from the least developed countries of Africa through the developing markets in Latin America and Asia to the developed countries of the United States or the European Union, including Central and Eastern European (CEE) countries.

This course material aims to provide background for the course titled "Emerging Asian Economies and multinational enterprises' (MNEs) Strategies". Topics of this course include the main theories of internationalization and foreign direct investment, the global patterns and recent trends of Chinese MNEs as well as home and host country determinants - i.e. push and pull factors - behind the international expansion strategy of Chinese companies.

Besides its global focus, this course material maps out Chinese investment flows and types of involvement, and identifies the motivations of Chinese FDI in Europe, Central and Eastern Europe (CEE), with a focus on structural/macroeconomic and institutional as well as political pull factors. We will show that pull determinants of Chinese investments in CEE region differ from that of Western companies in terms of specific institutional and political factors that seem important for Chinese companies. This hypothesis echoes the call to combine macroeconomic and institutional factors for a better understanding of internationalization of companies (Dunning and Lundan 2008).

After the introductory section, in the second chapter, we briefly summarize the existing theories of internationalization and foreign direct investment, including mainstream theories and new theoretical avenues. The third chapter presents the East Asian model of development, including economic processes as well as the analysis of institutional and political aspects. The fourth chapter describes the driving forces behind the international expansion strategies of Chinese MNEs by comparing the characteristics of Chinese, Japanese and South Korean foreign direct investment and by focusing on Chinese FDI globally as well as Chinese investments in Europe. Here, we also dedicate two subchapters to push and pull factors of Chinese outward FDI. The fifth chapter presents Chinese FDI in Central and Eastern Europe as a case study, including its changing patterns as well as major host-country determinants, using various statistics as well as company interviews[2]. The final chapter summarizes the main findings of the chapters mentioned above[3].

The Annex contains the syllabus of the course, suggested readings for each topic as well as graphs showing the outward foreign direct investment stock of selected emerging Asian countries.

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[2] As the topic of Chinese FDI in European peripheries is new, started to draw academic attention only recently and the available literature is rather limited and based mostly on secondary sources, the author conducted several personal as well as online interviews with representatives of various Chinese companies in the ECE region. At major Chinese investors in the region the interviews were conducted anonymously. The author conducted semi-structured interviews at 5 companies, i.e. she drawn up a questionnaire and structured the interview based on some basic questions concerning the background of investment, motivations before the investment and the significance of the same factors later, a few years after the investment took place. Several further questions arose based on the original questions and responses to them, therefore the structure of each interviews were unique. Where interviews were not applicable, the author used other sources, such as business professionals, experts and academics from the neighbouring countries.

[3] The author will usually take into account foreign direct investment by mainland Chinese firms (where the ultimate parent company is Chinese),[3] unless marked explicitly that due to data shortage or for other purposes they deviate from this definition. Since data in FDI recipient countries and Chinese data show significant differences, the two data sets will usually be compared to point out the potential source of discrepancies in order to get a more complex and nuanced view of the stock and flow of investments. For Chinese global outflows statistics from Chinese Ministry of Commerce (MOFCOM) and UNCTAD will be considered and compared.

2. Old versus new theories

Although Asian foreign direct investment is not a new phenomenon but has attracted much attention since the mid-2000, because of (1) the unprecedented size of the phenomenon, (2) the fact that developing Asia accounts for more than a quarter of all outward FDI, (3) while this group of countries will be soon a net direct investor. The phenomenon itself is indeed existing since Japan, then later the Asian tigers (Hong Kong, Singapore, South Korea and Taiwan) are all experienced similar upward trend in terms of inward as well as outward FDI. These countries can be considered as precursors of FDI from emerging countries today (such as BRICS - Brazil, Russia, India, China and South Africa. Consequently, we can differentiate between three waves of FDI (Andreosso-O'Callaghan, 2016):

1. FDI from emerging Europe, USA after World War II.
2. FDI from Japan, then the Asian tigers after 1960's, 1970's, ...
3. FDI from BRICS nowadays.

The theoretical framework of FDI, as well as the concept of internationalization, has evolved a lot in the past century. To briefly summarize the mainstream theories of FDI, in the next subchapter we use the typology of Andreosso-O'Callaghan (2016), where different theories can be labelled as micro-, meso- or macro-economic levels. After these mainstream theories we also summarize the main findings of the Japanese School of FDI as well as those new theoretical attempts that try to explain FDI decisions of emerging MNEs.

2.1 Mainstream theories

Macro level theories include theories such as the capital market theory, the dynamic macroeconomic FDI theory or the exchange rate theory, economic geography theory, gravity as well as institutional approach and investment development path theory.

Capital market theory is one of the oldest theories of FDI (1960s) which states that FDI is determined by interest rates. However, it has to be added that when this theory was formulated, the flow of FDI was quite limited and some parts of it were indeed determined by interest rate differences. According to the dynamic macroeconomic FDI theory, FDI is a long-term function of TNC strategies, where the timing of the investment depends on the changes in the macroeconomic environment. FDI theory based on exchange rates considers FDI as a tool of exchange rate risk reduction. The FDI theory based on economic geography explore the factors influencing the creation of international production clusters, where innovation is the major determinant of FDI. Gravity approach to FDI states that the closer two countries are - geographically, economically or culturally, ... - the higher will be the FDI flows between these countries. FDI theories based on institutional analysis explore the importance of the institutional framework on the FDI flows, where political stability is a key factor determining investments.

According to the investment development path (IDP) theory, that was originally introduced by Dunning in 1981 and refined later by himself and others (Dunning 1986, 1988, 1993, 1997; Dunning and Narula 1996; Durán and Úbeda 2001, 2005), FDI develops through a path that expresses a dynamic and intertemporal relationship between an economy's level of development, proxied by the Gross Domestic Product (GDP) or GDP per capita, and the country's net outward investment position, defined as the difference between outward direct investment stock and inward direct investment stock.

In the framework of the investment-development path theory, Dunning also differentiated between five stages of development:

- Stage 1. is characterized by low incoming FDI, but foreign companies are beginning to discover the advantages of the country. In this phase there are no outgoing FDI since there are no specific advantages owned by the domestic forms.
- Stage 2. is characterized by growing incoming FDI due to the advantages of the country (such as low labour costs), while the standards of living are rising which is drawing even more foreign companies to the country. Outgoing FDI is still rather low in this phase.
- In stage 3. incoming FDI is still strong, but their nature is changing due to rising wages. The outgoing FDI are taking off as domestic companies are getting stronger and develop their own competitive advantages.
- In stage 4. strong outgoing FDI seeks advantages - for example low labour costs - abroad.
- In stage 5. investment decisions are based mainly on the strategies of multinational companies and the flows of outgoing and incoming FDI come into an equilibrium.

At the meso-level we find Raymond Vernon's Product Life Cycle (PCM) model (Vernon, 1966), which conceptualizes the role of the diverse stages of the product cycle in boosting the level of economic development among regional trading partners. Vernon's PCM theory was published at a time when there were the first traits of offshoring to developing (or lower wage) countries experienced by the US. Vernon differentiated between four stages of development of a new product:

(1) domestic production - introduction phase,

(2) export - growth phase,

(3) export of capital - maturity phase and

(4) foreign production - decline phase.

While the product matures, the market expands, economies of scale set in that drives the prices down, justifying exports to other countries. When production costs - especially labour cost - became a major component of total costs, production is moving to lower labour-cost countries. According to this theory, companies decide to invest abroad considering beneficial ownership and transaction cost as well as local conditions. As a result, FDI can be seen mostly in the phases of maturity and decline.

At the micro level (actually, at a mixed micro-macro level), Dunning's eclectic paradigm (also known as OLI model) became the mainstream theoretical framework explaining FDI (Dunning, 1992, 1998). This paradigm states that firms will venture abroad when they possess firm-specific advantages, i.e. ownership (O) and internalization (I) advantages, and when they can utilize location (L) advantages to benefit from the attractions these locations are endowed with. The OLI paradigm has changed a lot since it has first presented, ownership advantages, for example, have been divided into asset-based and transaction-based categories. "The asset-based ownership advantage is the exclusive or privileged possession of country- specific and firm-specific intangible and tangible assets, which gives the owner some proprietary advantage in the value-adding process of a particular product"... while "the transaction-based ownership advantages reflect the ability of a corporation to coordinate, by administrative fiat, the separate but complementary activities better than other corporations of different ownership and the market" (Cuervo, Pheng, 2003, p.82). The transaction-based ownership advantage seems to be also very relevant for non-developed country multinational companies.

Different types of investment motivations attract different types of FDI which Dunning (1992, Dunning-Lundan 2008) divided into four categories: market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking. The factors attracting market-seeking multinationals usually include market size, as reflected in GDP per capita and market growth (GDP growth). The main aim of a resource-seeking MNEs is to acquire particular types of resources that are not available at home (such as natural resources, raw materials) or are available at a lower cost compared to the domestic market (such as unskilled labour). Investments aimed at seeking improved efficiency are determined by low labour costs, tax incentives and so on: localization advantages "comprise geographical and climate conditions, resource endowments, factor prices, transportation costs, as well as the degree of openness of a country and the presence of a business environment appropriate to ensure to a foreign firm a profitable activity" (Resmini, 2005, p 3). Finally, the companies interested in acquiring foreign (strategic) assets might be motivated by a common culture and language, as well as trade costs (Blonigen and Piger, 2014; Hijzen et al., 2008). It should be emphasised that some FDI decisions may be based on a complex mix of factors (Resmini, 2005, 3; Blonigen and Piger, 2014). Much of the extant research and theoretical discussion is based on FDI outflows from developed countries, for which market-seeking and efficiency-seeking FDI is most prominent (Buckley et al., 2007; Leitao and Faustino, 2010).

2.2 The Japanese School of FDI

Although it has often been left out from other theoretical overviews of FDI related books or papers, this paper plays special attention to the Japanese school of FDI, as it can be especially relevant in explaining Asian FDI. In addition, interesting links can be found between the Japanese school's main ideas and the afforementioned PCM and/or IDP theories.

In Asia, Japan was the first country that became outward investor. Its catching-up strategy can be traced back to the Meiji Restoration that allowed the country to became the „lead goose" in Asia. This process inspired the Japanese School of FDI. The flying geese paradigm (FGP) is a view of Japanese scholars upon the technological development in Southeast Asia viewing Japan as a leading power. It was developed in the 1930s, but gained wider popularity in the 1960s after its author Kaname Akamatsu (1962) published his ideas in the Journal of Developing Economies. According to the theory, the „lead goose" Japan provides birth help to East Asian industrialisation through foreign direct investment. This catching-up experience emulated others and Japan's model was followed by South Korea and Taiwan, and later by China.

The FGP model was reformulated by Kojima (2000) and Ozawa (2001). Terumoto Ozawa analysed the relationship of FDI, competitiveness and economic development based on the ideas of Michael Porter. Ozawa identified three main phases of development as he analysed the waves of FDI inflow and outflow from a country. These phases are factor driven, investment driven, innovation driven phases of development.

- In the phase of economic growth the country is underdeveloped and targeted by foreign companies wanting to use its potential advantages (especially low labour costs). In this stage there is almost no outgoing FDI.
- In the second phase the country attracts market-seeking inward FDI and intermediate goods industries from developed countries. In this phase, new FDI is drawn by the growing internal markets and by the growing standards of living. This development generates outward FDI to less-developed countries in labour-intensive and resource-based industries.
- In the third phase of economic growth the competitiveness of the country is based on innovation, while the incoming and outgoing FDI are motivated by market factors and technological factors.

2.3 New theoretical avenues

As mentioned above, although Asian FDI is not a new phenomenon, but what is different today is the scale of the phenomenon and the pace it has evolved since the early 2000s. In particular, since China launched its „go global" strategy (2000) and started to invest more and more globally. Nevertheless, traditional theories as well as economic factors seem to be insufficient in explaining FDI decisions of emerging (Asian) MNEs.

In the last decade international economics and business researchers acknowledged the importance of institutional factors in influencing the behaviour of MNEs (e.g., Tihanyi et al., 2012). According to North, institutions are the “rules of the game” which are “the humanly devised constraints that shape human interactions” (North, 1990, p 3). Institutions serve to reduce uncertainties related with transactions and minimize transaction costs (North, 1990). Meyer and Nguyen (2005, p 67) argue that informal constraints are “much less transparent and, therefore, a source of uncertainty”. As a result, Dunning and Lundan (2008) extended OLI model with the institution-based location advantages which explain that institutions developed at home and host economies shape the geographical scope and organizational effectiveness of MNEs.

The rapid growth of outward FDI from emerging and developing countries resulted in numerous studies trying to account for special features of emerging MNEs' behaviour that is not captured within mainstream theories. For example, Mathews extended OLI paradigm with linking, leverage, learning framework (LLL) that explains rapid international expansion of companies from Asia Pacific (Mathews, 2006). Here *linking* means partnerships or joint ventures that latecomers form with foreign companies in order to minimize risks involved with internationalization as well as to acquire “resources that are otherwise not available” (Mathews, 2006, p 19). Latecomers when forming links with incumbents also analyse how the resources can be *leveraged*. They look for resources that can be easily imitated, transferred or substituted. Finally, repeated processes of linking and leveraging allow latecomers to *learn* and conduct international operations more effectively (Mathews, 2006, p 20).

Although emerging-market MNEs from various emerging countries differ in many respects but to some extent they share common characteristics. For example, Peng (2012) reports that Chinese MNEs are characterized by three relatively unique aspects: (1) the significant role played by home country governments as an institutional force, (2) the absence of significantly superior technological and managerial resources, and (3) the rapid adoption of (often high-profile) acquisitions as a primary mode of entry. Kalotay and Sulstarova (2010) highlights that Russian MNEs’ investments are also influenced by home country policies while Barnard (2010) writes about the lack of strong firm capabilities among MNEs from South Africa and Taiwan. Gubbi et al. (2010) find that Indian MNEs are also fond of undertaking acquisitions overseas. Since 2002 a marked shift in corporate attitude towards global markets took place in Brazil, too, but “multi-latinas“ have emerged throughout Latin America (Casanova-Kassum, 2013). While some emerging-market MNEs focus on neighbouring regions others target the global market, including the countries of the developed world. According to Gubbi and Sular (2015) Turkish firms seem to be using the European countries to (1) present themselves as a European Union company, (2) make use of special features of these countries to expand their businesses within and to other countries and, (3) make use of the favourable tax treatment policies available to foreign investors.

3. An East Asian model of development?

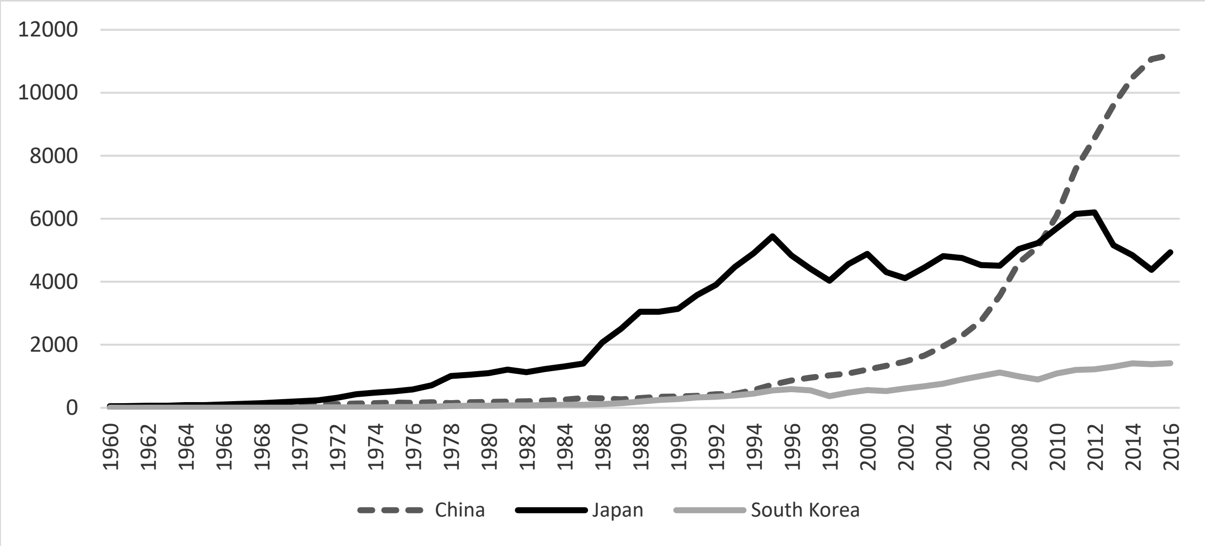
3.1 The East Asian economic development

The East Asian development unfolding from the 1960s, including the Japanese, Taiwanese, and Korean economic miracle, opened a new chapter in economic theories: the concept of developmental state was born, and the phenomenon that there are various ways of catching up, where state intervention, state support plays an important role became more and more accepted (see e.g. Johnson 1982; Wade 1990, Amsden 1989 or White 1988). After the Asian financial crisis in 1998, the popularity of the developmental state model began to decline (Székely-Doby 2017), but the subsequent analyses often highlighted the importance of the state's economic engagement in East Asian economies. Kuznets, for example, in his 1988 article published in Economic Development and Cultural Change (Kuznets, 1988) also analyses the East Asian model of economic development through the example of South Korea, Japan and Taiwan, and highlights five common attributes of the economic successes of the three countries. These are: high investment rates, small public sector, competitive labour market, export expansion, and government intervention in the economy.

Significant (and effective) investment in human resource development, as well as the ability to absorb new technology, is another common feature of these East Asian countries. Although high population density and scarcity of natural resources are usually a disadvantage rather than an economic advantage, but during the 20th century these factors have conditioned the three countries to act and develop further, preventing complacency or postponing the decisions necessary for development.

Although Kuznets does not take the following factors into account in his article, but the above mentioned East Asian countries share additional, non-economic commonalities, including ethnic and linguistic homogeneity, relatively compact - i.e. undivided - geographical unit, manageable population size and Confucian traditions. In my opinion, these factors have certainly influenced labour productivity, propensity to save, hence contributed to the economic performance and development of Japan, Taiwan and Korea in the 70s and 80s (see Figures 1 and 2).

Figure 1: Japanese, South Korean, and Chinese GDP, 1960-2016 (Billion Dollars)



Source: World Bank

According to the Maddison database, the development of the three East Asian economies were far from being the same during the first two millennia (Table 1.). From the 10th to the 15th century, China was the world's leading economy in terms of per capita income, well ahead of Europe in terms of technological development, the use of natural resources and the efficiency of its administrative capacity. From the 16th century onwards, Europe has gradually caught up with China in terms of income, technology and science. However, in the 19th century and the first half of the 20th century, China's performance declined, more precisely, its growth rate was not as conspicuous as before, while economic development in other parts of the world accelerated (Maddison, 2007). With regard to per capita GDP (Table 2.), China has been ahead of the other two East Asian countries for a long time, but by the 19th century, Japan and Korea were catching up and by the end of the century they overtook China. From the twentieth century onwards, the difference between them continued to grow: by 1960, Japan's per capita GDP was six times as high, while South Korean per capita GDP was nearly twice as high as the Chinese. It should be noted, however, that Maddison's calculations have been criticized (see e.g. Holz, 2004), as they are often based on estimates and the data used to compile the database do not always come from data collections with a uniform methodology.

Table 1: GDP in Japan, South Korea and China, A.D. 1-1960 (International Dollars, million, 1990)

	1	1000	1500	1600	1700	1820	1870	1913	1938	1960
Japan	1200	3188	7700	9620	15390	20739	25393	71653	176051	375090
South Korea	n.a.	n.a.	3282	n.a.	5005	5637	5891	9206	24895	30395
China	26820	27494	61800	96000	82800	228600	189740	241431	288653	441694

Source: Maddison database (2010)

Table 2: GDP per capita in Japan, South Korea and China, A.D. 1-1960 (International Dollar 1990)

	1	1000	1500	1600	1700	1820	1870	1913	1938	1960
Japan	400	425	500	520	570	669	737	1387	1850	3986
South Korea	n.a.	n.a.	n.a.	n.a.	n.a.	600	604	869	1049	1226
China	450	466	600	600	600	600	530	552	568	662

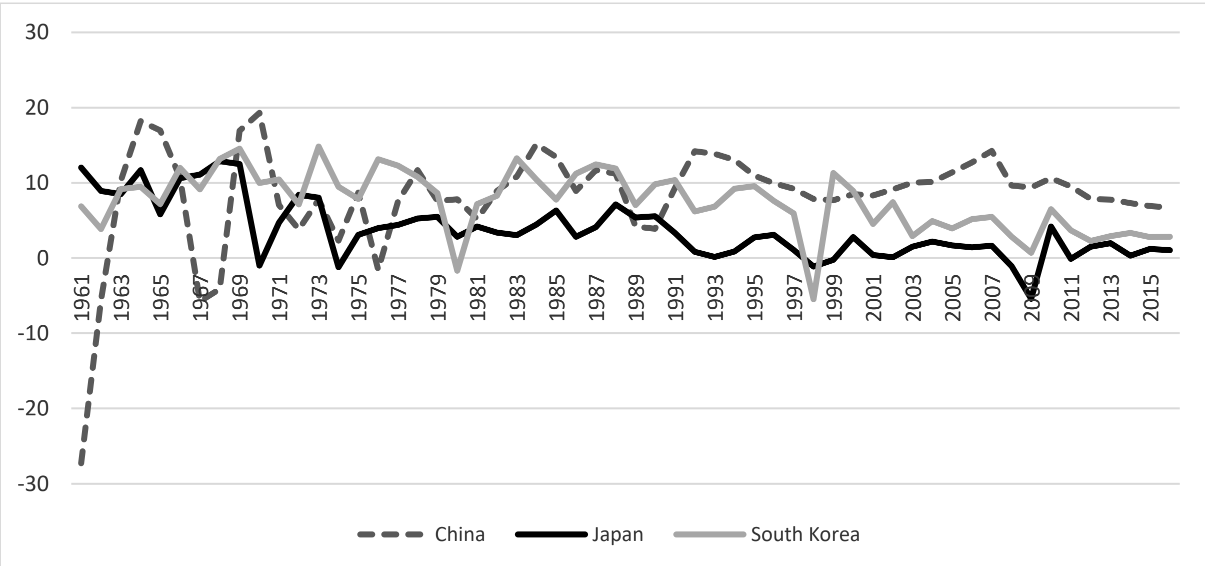
Source: Maddison database (2010)

When compared to China and Korea, Japan used to lag behind, both in terms of state-building and economic development, while the influence of China and Korea has remained dominant for centuries for the country's development. Muraközy (2016) points out that, compared to the countries of the Asian continent, Japan fell behind for a long time, but as a result of the economic successes of the first half of the Tokugava era (1603-1750) it became more advanced than China by the beginning of the 18th century. The real catch-up phase in Japan is, however, the second half of the 19th century, the time of the Meiji modernization (1868-1912), where the centralized state management system, the continuous historical legacy and the effective bureaucracy supported Japan's further development.

Korea also had historical, cultural and economic traditions originating from Chinese roots, but the effective bureaucracy that existed in China and Japan, as well as the spread of financial and commercial activities and urbanization was missing here for further development (Muraközy, 2016). From the end of the 19th century onwards, Japan's economic influence was gaining ground, that meant significant reforms for Korea, while it remained, in line with Japan's interests, basically an agrarian country. Thus, living standards were improving but lagged far behind the Japanese level. Significant economic development in Korea, just as in the case of Japan, could have taken place between and after the two world wars.

Although the Chinese economic upturn happened later, but it has been in many respects similar to the above and has been influenced by the development methods of the East Asian countries in many respects. However, there are also significant differences between them. As for similarities, the export-driven model as well as high investment rates were decisive in the first decades of Chinese development, initiated by Deng Xiaoping. In terms of both production for export and attracting foreign direct investment, the large and cheap labour played a significant role in China, too. Human resource development and the adoption, incorporation and development of new technologies are also typical of China. Obviously, Confucian tradition has had a significant impact on the organization of the Chinese state and the economy. However, in contrast to Japan, Korea and Taiwan, the small size of the public sector is far from being characteristic for China, while government intervention is significantly more prevalent than in the case of Japan or Korea. Similarly, China's population, population density and country size place the country into another dimension compared to its East Asian neighbours.

Figure 2: GDP growth rate in Japan, South Korea, and China, 1961-2016 (percent)



Source: World Bank

According to Kuznets (1988), the applicability of the East Asian model depends, firstly, on whether a country faces similar challenges as the three countries he analysed; second, whether government intervention influences rather than substitutes free market mechanisms and whether public opinion expects (or even demands) the government to intervene in order to enhance economic growth. While the first condition - facing similar challenges - is true for China, the second only partially characterizes it: till there is a relative social well-being, the society will definitely support the government. However, government intervention - especially in the first decades of development, under Mao, Deng and his successors - happened at the expense of free market mechanisms. Since the beginning of the new millennium, the gradual but strongly regulated expansion of free market mechanisms could have been observed in China, but the process was far from being merely "influential". In the past few years, however, slowing growth led again to the government's increased interference into the economy.

At the time of the emergence of Japan and the first wave of newly industrialising countries in Asia, there were much less (internationally agreed) barriers concerning government intervention in the economy and mainly in its trade policy, which provided these countries with a much larger room for manoeuvre compared to today's economies in their catching-up processes. An important example of thais difference is the case of China, where WTO membership came later and even after becoming a WTO member, the country does not fully comply with all the requirements.

3.2. An East Asian Variety of Capitalism?

The Varieties of Capitalism (VoC) approach, which is widely used recently in the literature, is an institutionalist approach, elaborated for Western developed countries (Amable, 2000). It tries to understand the systemic variations of developed capitalist economies' politico-economic institutions. As opposed to the Washington consensus and traditional neoclassical approaches assuming convergence among economies, it emphasizes the existence of different capitalist trajectories (Hall and Soskice, 2001). It distinguishes two main types of national political economies: Liberal Market Economies (LME) and Coordinated Market Economies (CME). In LME, companies coordinate their activities primary through hierarchies and competitive market arrangements. In CME, firms rely mainly on non-market relationships to organise and manage their activities.

As explained by Sass et. al. (2018), the literature does not provide conclusive evidence concerning the applicability of the VoC approach to Asian economies. According to Carney at el. (2009), there is no unique form of capitalism, but several forms of Asian capitalisms exist, which are fundamentally different from the Western types of capitalism. Witt and Redding (2013) present similar findings in their analysis, which among others, embraces China, Japan and Korea in its sample. According to their findings, only the Japanese capitalism can be integrated into the VoC approach. For other countries, they are fundamentally distinct from Western types of capitalism. As the authors state: „… the Varieties of Capitalism (VOC) dichotomy is not applicable to Asia; … none of the existing major frameworks capture all Asian types of capitalism; and … Asian business systems (except Japan) cannot be understood through categories identified in the West.” (Witt, Redding (2013, p. 265) However, they categorised the analysed 13 Asian economies into five groups according to various institutional variables: (post-)socialist economies, advanced city economies, emerging Southeast Asian economies, advanced Northeast Asian economies and Japan. They underline the large diversity of Asian economies along various factors, related to VoC. Furthermore, they emphasize important business elements, which are present in many Asian countries, but not in Western Europe or in North America. For example, differences in business trust, related to that, in forming business networks, the high levels of family control in firms, different business culture-values, or high level of informality. As far as our analysed countries are concerned, China belongs to the (post-) socialist category, Korea is an advanced Northeast Asian economy, while, as we saw, Japan forms a group in itself (Sass et. al. 2018). Other authors underline further factors influencing Asian capitalism, for example, Andriesse et al. (2011) propose a link between regional VoCs and global value chains in Asia.

3.3 The Role of the East Asian state: the analysis of institutional and political aspects

As mentioned above, the VoC literature does not provide conclusive evidence concerning the applicability of the VoC approach to Asian economies. Most states in the region fall either into the developmental state or predatory state categories (Johnson 1982, Evans 1995), with some of them representing hybrid cases. According to Witt and Redding (2013), China, for example, combines predatory elements, in which top leaders and their families use the state to enrich themselves. In this sense, the Chinese system is similar to the Japanese keiretsu or the Korean chaebol system. Based on this Witt and Redding study, only the Japanese capitalism can be integrated into the VoC approach, while other East Asian countries, such as China and Korea, are fundamentally distinct from Western types of capitalism. In their categorization, China belongs to the (post-)socialist category, Korea is an advanced Northeast Asian economy, while, Japan forms a group in itself.

In this section we analyse whether the Chinese political model is a special mixture of socialist economic concepts, or is it a hybrid solution with its own values. To answer this, we examine the three main elements of the system paradigm, that is (1) the political system, (2) the role of direct state interventions in the economy (state ownership and informal control) and (3) various mechanisms of economic coordination (market, bureaucratic, ethic).

There is broad debate about China's politico-governmental form and economy, with contributions from the West and from outside the People's Republic (Mainland China), including some from Taiwan and from Hong Kong, which is not fully incorporated into the People's Republic. According to Kornai (2016), capitalism is a necessary but not sufficient condition for democracy, while he also adds that in China, although the transition from socialism to capitalism began decades ago, there is no clear sign that the country is closer to democracy.

When summarizing the opinions on the politico-governmental form of China, we can differentiate between three approaches. According to some, China has for a long time possessed the main characteristics of the capitalist system, although the size of the state-owned sector remains very great. In politico-governmental form it is clearly a dictatorship in all respects. As Kornai (2016, p. 571) puts it, "for a while the dictatorship softened somewhat, but in recent years it has hardened again...the leading political force still styles itself the communist party, but it abandoned long ago the Leninist program of forcing the dominance of state ownership and bureaucratic coordination on society". Another view is that China began a transition from socialism to capitalism and from dictatorship to democracy a long time ago, but it did so very slowly and cautiously. Therefore, this process will take a long time, but the final form will be more capitalist than socialist in the end. This interpretation does not exclude the possibility of a slow transition towards less repressive politico-governmental forms. Indeed, the most optimistic expectation is that the transition ends in democracy, or "sinocracy" that is democracy with Chinese characteristics. Finally, a third view, taken for example by the Chinese themselves, is that the Chinese system is a unique formation, which is semi-socialist and semi-capitalist at the same time. The characteristics of this formation differ from the standard ones of autocracy or dictatorship, therefore China can be considered as the main manifestation of a “third road”. The Chinese ‘zhongti xiyong’ principle - the coexistence of traditional Chinese elements and also solutions taken from the West (“Chinese things as essence and Western things as utility”) - also supports this idea.

China is paradigmatic for state control of major corporations. However, in opposition to older versions of state capitalism and developmental states, there is neither a classical top-down control nor a "single guiding enterprise model" such as the South Korean Chaebol or Japanese Keiretsu system. There are new forms of profit-oriented and competition-driven state-controlled enterprises, such as China Mobile, that have emerged recently, while there are several private firms and public–private hybrids, too, such as Huawei, Lenovo or Geely, that have also been able to became successful companies on the Chinese market as well as globally. These days, such non-state national firms are considered as ‘national champions’ by state managers (Naughton, 2007; Ten Brink, 2013). With some exceptions - such as the IT sector, which is deeply integrated into global production networks - most industries are dominated by national (state-controlled, hybrid and private) capital and not by foreign multinationals (Nölke et. al. 2015).

Here we can also distinguish between different views on the characteristics of Chinese state control. One possible opinion is Nölke et. al.'s (2015) state-permeated market economy, where mechanisms of loyalty and trust between members of state-business coalitions are based on informal personal relations. Witt and Redding (2013) consider the Chinese system as a system combining predatory elements with personal relations, while the Chinese themselves are emphasizing the advantages of the strong but effective government that provides internal as well as external stability.

Regarding mechanisms of economic coordination, decision-making in most Asian states is usually statist. Here, again, the exception is Japan, which tends toward corporatism. China is characterised by a mixture of top-down statism with a strong bottom-up element. In China, local variations in institutions, or even informal institutions often supersede formal institutions, (Witt and Redding 2013). Successful institutional innovations diffuse across different localities and have an impact on national level institutional changes (Xu, 2011).

Since Chinese corporate governance is a mixture of top-down and bottom-up control, it is characterised by multiplexity, i.e. the presence of multiple business systems: non-competitive state-owned, profit-oriented and competition-driven state-controlled (such as China Mobile) as well as private firms (Huawei, Lenovo or Geely). Informality as well as guangxi ("net of relations") also plays an important role in the decision-making processes.

4. Driving forces behind the international expansion strategies of Chinese MNEs

Chinese outward FDI has increased in the past decades, however, in the last decade this process accelerated significantly. In 2012, China became the world's third largest investor – up from sixth in 2011 – behind the United States and Japan with an outward FDI flow of 84 billion US dollars and it still hold its position: the value of Chinese outward FDI grew to 183 billion US dollars in 2016[4], making Chinese MNEs the largest overseas investors among developing countries (UNCTAD 2017). According to the estimations of Hanemann and Huotari (2017), the volume of investments has further increased in 2016 and has reached 200 billion USD, with a 40 per cent increase compared to the previous year. Several factors fuelled this shift, including the Chinese government's wish for globally competitive Chinese firms or the possibility that outward FDI can contribute to the country's development through investments in natural resources exploration or other areas (Sauvant – Chen, 2014, pp. 141-142).

4.1 Comparing the roots of Chinese, Japanese and South Korean FDI[5]

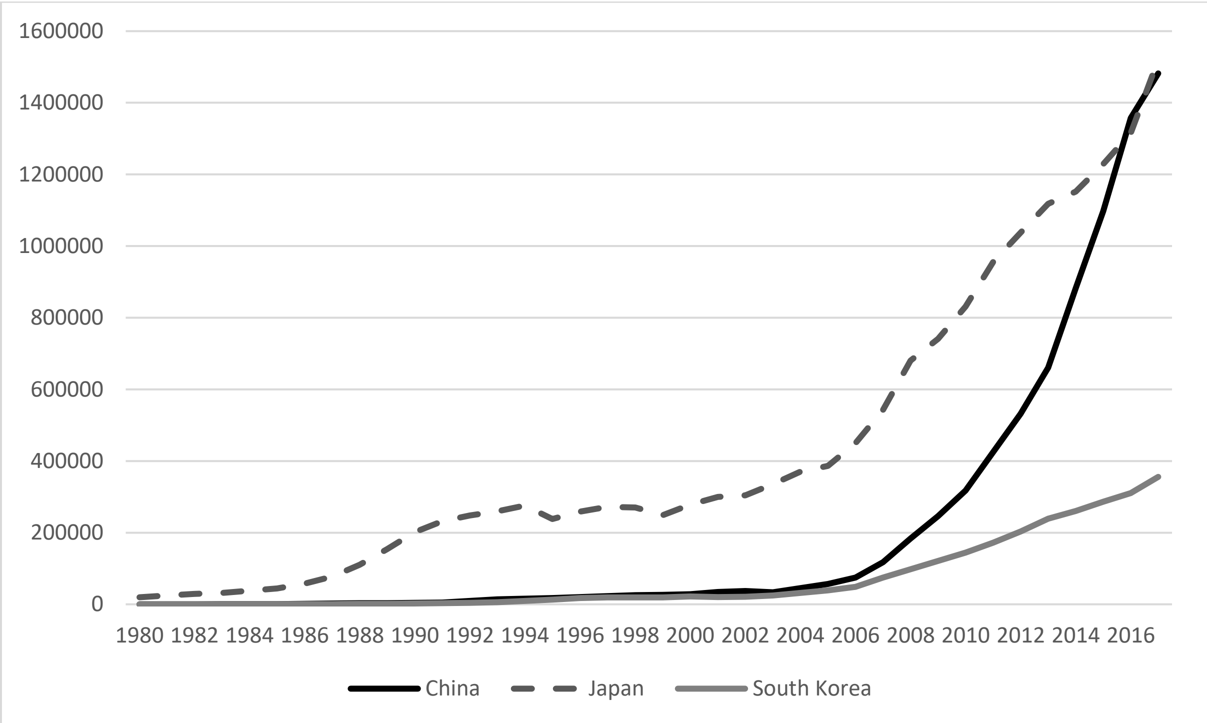
China's rise is often compared to the post-war "Asian Miracle" of its neighbours. When we analyse the internationalization processes of Japanese, Korean and Chinese companies there are indeed several common features and similarities. Nevertheless, one of the main common characteristics of these three nations is the creation and support of the so-called national champions, i.e. domestically-based companies that have become leading competitors in the global market. In fact, during their developmental period, both the Japanese and Korean governments provided strong state financial support to their companies to protect, promote them as well as to strengthen them against the international competition. China has followed

[4] China's outward FDI net flows in 2016 reached 170.11 billion USD, according to Chinese data, that is the 2016 Statistical Bulletin of China's Outward Foreign Direct Investment.

[5] This section is partly based on McCaleb A, Szunomar A (2016): Comparing Chinese, Japanese and South Korean FDI in Central and Eastern Europe In: Joanna Wardega (ed.) China-Central and Eastern Europe cross-cultural dialogue: society, business, education in transition. Kraków: Jagiellonian University Press, 2016. pp. 199-212.

them later in subsidizing domestic industries and supporting their overseas activities for example in the form of government funding for outward FDI (Irwin and Gallagher, 2014)

Figure 3. Chinese, Japanese and Korean outward FDI stock at current USD million, 1980-2017



Data source: UNCTAD

Japanese companies started to expand overseas in the early 1960s, with a modest growth at the beginning. The Foreign Exchange and Foreign Trade Control Law and the Foreign Capital Law were the two main laws which regulated (and somewhat restricted) Japanese firms' international activities during the 1950s-1970s. However, the revision of the Foreign Exchange and Foreign Trade Control Law in 1979 accelerated the overseas activities of Japanese companies as this revision created the opportunity for free outward investment (Yang et al, 2009). The role of voluntary export restraints and, as a consequence, the importance of tariff-jumping FDI were also among the various motivations of Japanese foreign direct investment. As a result, Japanese outward FDI stock began to increase in the late 1970s, reaching 154 billion USD in 1989, 300 billion in 2001 and 992.9 billion USD in 2013, according to UNCTAD statistics (see Figure 3.).

Japan led the way in government-subsidized outward FDI already in the 1950s, well before the liberalization, through offering subsidized loans to companies investing abroad. Irwin and Gallagher (2014) highlight that Export-Import Bank of Japan (JEXIM) created a branch focusing on outward FDI already in 1953, which provided almost 70 billion USD in total by 1999 to finance its companies' foreign investments. Likewise, the Japan Bank of International Cooperation (and its predecessor, the Japanese Development Bank) started its operation mainly with export loans in the 1950s but has evolved later to an outward investment creditor as outward FDI loans accounted for 74 percent of total loans in 2012 (Irwin-Gallagher, 2014).

Till the end of the 1970s, Japanese outward FDI was characterized by natural resource-seeking motives in order to supplement the country's resource-poor economy (Park, 2003). Between 1979 and 1985 Japanese companies overseas investments were motivated by market-seeking, as – according to Yoshida (1987) – market expansion was cited as the number one reason for Japanese firms' investment in the United States. Besides market-seeking investments, in the last twenty years, efficiency-seeking became another important motive for Japanese companies for cost reduction reasons (Yang et al., 2009).

South Korean companies' internationalization was relatively late compared to Japanese counterparts. Korean outward FDI policy started to evolve only in 1968 when the Act of Foreign Exchange Management was passed (Chan and Cui, 2014). In spite of that, outward FDI remained restricted till the 1980s due to the fact that Korean development was hindered with balance of payments problems. As a result, except for special cases – such as the access to natural resources or the opening of export markets – outward FDI was generally prohibited by the Korean government. According to Kwak (2007), for that reason, up to 1980, only 352 cases representing outward FDI worth of 145 million USD were registered. As legal and economic circumstances changed in the 1980s, outward FDI began to increase significantly. According to UNCTAD statistics the total stock of outward FDI rose from 0.97 billion USD in 1987 to 19.9 billion in 2001 and 219 billion USD in 2013 (see Figure 1.).

The Korean government has also subsidized outward FDI through supporting its national champions, though to a smaller extent compared to Japan. By the 1990s, outward FDI lending grew substantially, but it still couldn't provide sufficient momentum for Korean outward FDI (Irwin and -Gallagher, 2014). Korean outward FDI used to be relatively small given the size of the economy, when compared to its GDP, but this situation has changed somewhat recently (see Figure 1.), mainly after the financial crisis.

Traditionally outward FDI was aimed mainly at accessing natural resources or creating new export markets in Asia, North America and Europe, however, efficiency-seeking outward FDI has been growing fast, especially in Asian markets. According to a survey from 2004 cited by Kwak (2007, pp 29-30), investment decisions were primarily made by (labour) cost reduction motives, followed by market seeking concerns (34.5%), the overseas relocation of partner companies (9.9%), and opening up towards third markets (4.9%).

In China, in hand with the so-called "Open Door" policy reforms, from the late 70s, the government encouraged investments abroad to integrate the country to the global economy, although the only entities allowed to invest abroad were state-owned enterprises (SOEs). The total investment of these first years was not significant and concentrated to the neighbouring countries, mainly to Hong Kong. The regulations were liberalized after 1985 and a wider range of enterprises – including private firms – was permitted to invest abroad. After Deng Xiaoping's famous journey to the South in 1992, overseas investment increased dramatically, Chinese companies established overseas divisions almost all over the world, concentrated mainly in natural resources. Nevertheless, according to UNCTAD statistics, Chinese outward FDI averaged only 453 million US dollars per year between 1982 and 1989 and 2.3 billion between 1990 and 1999 (see Figure 3.).

In 2000, before joining the World Trade Organization (WTO), the Chinese government initiated the go global or "zou chu qu" policy, which was aimed at encouraging domestic companies to become globally competitive. They introduced new policies to induce firms to engage in overseas activities in specific industries, notably in trade-related activities. In 2001 this encouragement was integrated and formalized within the 10th five-year plan, which also echoed the importance of the go global policy (Buckley et al 2008). This policy shift was part of the continuing reform and liberalization of the Chinese economy and also reflected Chinese government's desire to create internationally competitive and well-known companies and brands. Both the 11th and 12nd five-year plan stressed again the importance of promoting and expanding outward FDI, which became one of the main elements of China's new development strategy.

Chinese outward FDI has steadily increased in the last decade (see Figure 3.), particularly after 2008, due to the above-mentioned policy shift and the global economic and financial crisis. The crisis brought more overseas opportunities to Chinese companies to raise their share in the world economy as the number of ailing or financially distressed firms has increased. While outward FDI from the developed world decreased in several countries because of the recent global financial crisis, Chinese outward investments increased even greater: between 2007 and 2011, outward FDI from developed countries dropped by 32 per cent, while China's grew by 189 per cent (He-Wang, 2014, p. 4; UNCTAD 2013). As a consequence, according to the World Investment Report 2013, in the ranks of top investors, China moved up from the sixth to the third largest investor in 2012, after the United States and Japan – and the largest among developing countries – as outflows from China continued to grow, reaching a record level of 84 billion US dollars in 2012. Thanks largely to this rapid increase of China's outward FDI in recent years; China also became the most promising source of FDI when analysed FDI prospects by home region (UNCTAD 2013, p. 21).

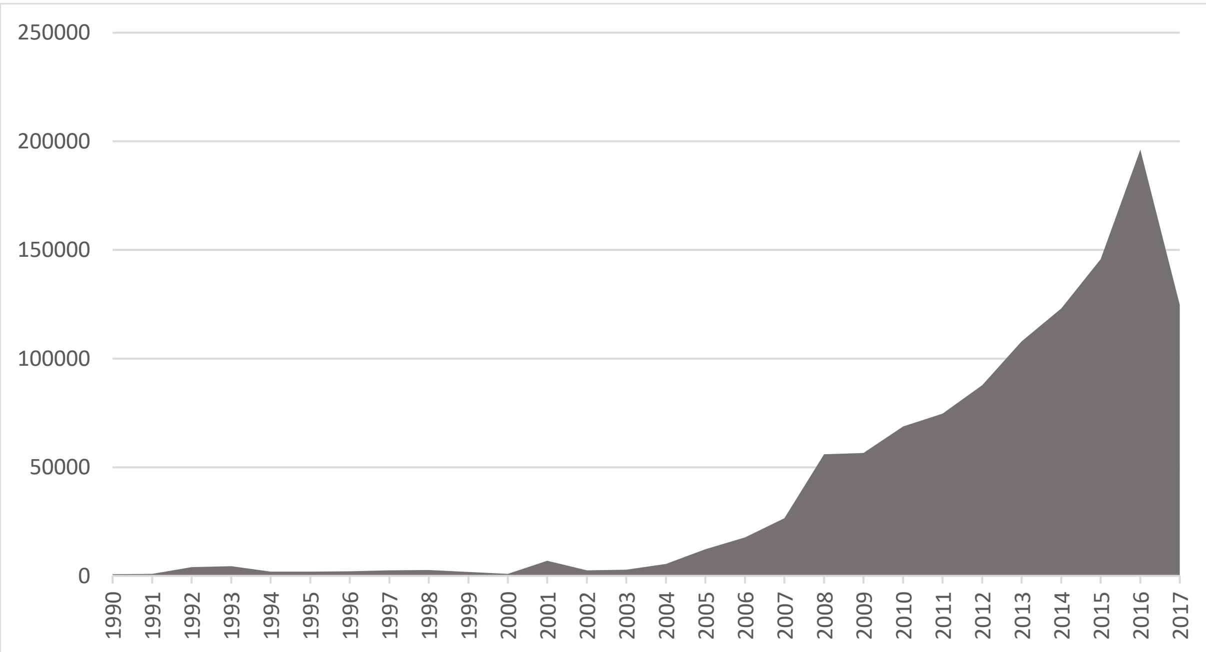
Irwin and Gallagher (2014) found that - unlike Japan or Korea - China's market entry has more to do with developing project expertise and supporting exports than it does with tariff-hopping or outsourcing industries fading on the mainland. They identified two major reasons for China's high (31%) ratio of outward FDI lending to total outward FDI: „First, China has a greater incentive to give outward FDI loans than Japan or Korea ever did because its borrowers are state- owned so it can more easily dictate how they use the money. Second, China has a greater capacity to give outward FDI loans because it has significantly higher savings and foreign exchange reserves than Japan and Korea, both today and especially during equivalent developmental stages" (Irwin-Gallagher, 2014, pp. 22-23)

Although traditionally Chinese outward FDI is directed to the countries of the developing world, Chinese investments into the developed world, including Europe increased significantly in the past decade. According to the Clegg and Voss (2012), Chinese outward FDI to the European Union (EU) increased from 0.4 billion US dollars in 2003 to 6.3 billion US dollars in 2009 with an annual growth rate of 57 per cent, which was far above the growth rate of Chinese outward FDI globally. In 2016, Chinese companies invested 35 billion EUR in the EU, a 77 per cent increase from the previous year (Hanemann-Huotari, 2017, p. 4). While the resource-rich regions remained important for Chinese companies, they started to become more and more interested in acquiring European firms after the financial and economic crisis. The main reason for that is through these firms Chinese companies can have access to important technologies, successful brands and new distribution channels, while the value of these firms has fallen, too, due to the global financial crisis (Clegg – Voss, 2012, pp. 16-19.).

4.2 Characteristics of Chinese foreign direct investment globally[6]

As mentioned above, Chinese outward FDI flows and stock have increased after the New Millennium (see Figure 4. and 5. below), particularly after 2008. While more and more Chinese companies are investing overseas, Chinese outward FDI raises concerns and therefore causes strengthening protectionism against it, especially in the developed world.

Figure 4. China's outward FDI flows, million USD, 1990-2017



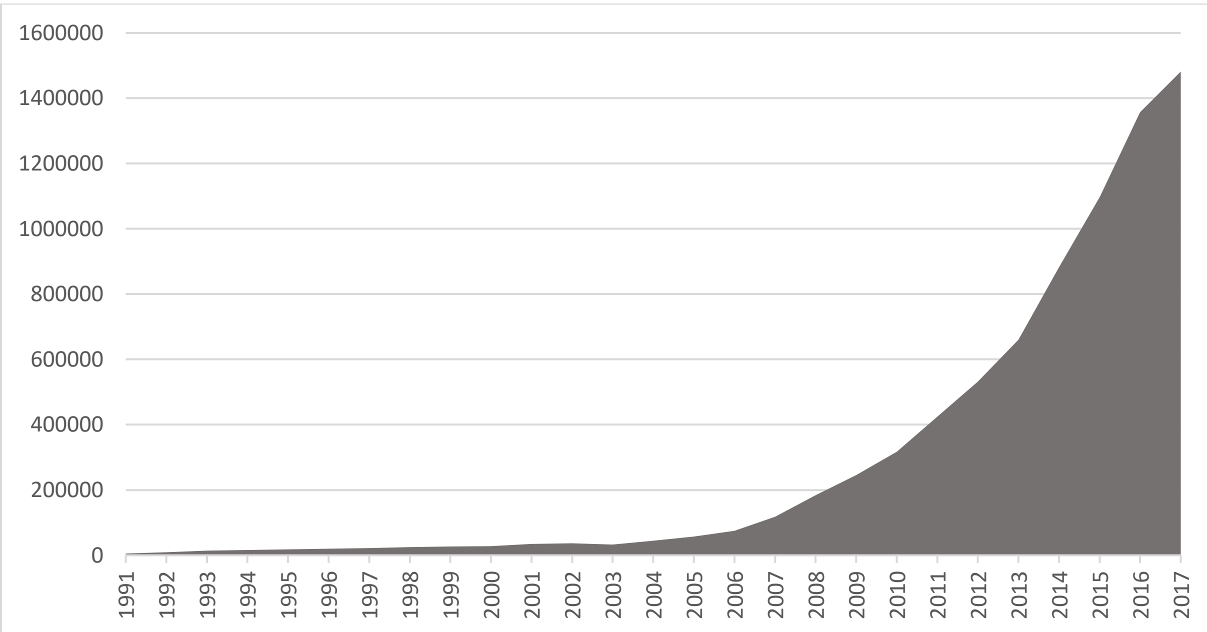
Data source: UNCTAD

[6] This section is partly based on a previous research of the author and the book chapter, Szunomár Á, Biedermann Zs: Chinese outward FDI in Europe and the Central and Eastern European region in a global context. In: Szunomár Á (ed.) Chinese investments and financial engagement in Visegrad countries: myth or reality?. 178 p. Budapest: Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, 2014. pp. 7-33.

Several experts believe that Chinese outward FDI could be greater if host countries were more hospitable. According to He and Wang (2014, p. 4-5), there are several reasons for that:

1. state-owned enterprises (SOEs) are the dominant players in Chinese outward FDI and they are often viewed as a threat for market competition as they supported by the Chinese government;
2. foreign companies often complain that Chinese companies may displace local companies from the market as they bring technology, resources and jobs away;
3. there are fears about Chinese companies' willingness to adapt to local environment, labour practices and competition. Although the above-mentioned problems indeed exist, they are overestimated as Chinese companies are willing to accommodate to the international rules of investment.

Figure 5. China's outward FDI stock, million USD, 1990-2017



Data source: UNCTAD

According to Scissors (2014, p. 5), if it is about national security, the role of Chinese ownership status is overblown as Chinese rule of law is weak, which means that a privately-owned company has to face as much pressure and constraint as its state-owned competitor. Nevertheless, it is worth to differentiate between SOEs, which has two types: locally administered SOEs (LSOEs) and centrally administered SOEs (CSOEs). Most of the LSOEs operate in the manufacturing sector and they are facing competition from both private companies and other LSOEs, while CSOEs are smaller in number but more powerful as they operate in monopolised industries such as finance, energy or telecommunication (He-Wang, 2014, p. 6).

Although the share of private firms is growing, SOEs still account for the majority – more than two-thirds – of total Chinese outbound investments, however, the range of investors is broader, next to state-owned and private actors it includes China's sovereign wealth fund and firms with mixed ownership structure. The role of SOEs seems to be declining in the past few years, although the government will continue to emphasize their importance as they rely on the revenue, job creation and provision of welfare provided by the SOEs (He-Wang, 2014, p. 12).

According to the go global strategy, Chinese companies should evolve into globally competitive firms, however, Chinese companies go abroad for varieties of reasons. The most frequently emphasized motivation is the need for natural resources, mainly energy and raw materials in order to secure China's further development (resource-seeking motivation). Mutatis mutandis, they also invest to expand their market or diversify internationally (market-seeking motivation). Nevertheless, services such as shipping and insurance are also significant factors for outward FDI for Chinese companies if they export large volumes overseas (Davies, 2013, p 736). Despite China's huge labour supply, some companies move their production to cheaper destinations (efficiency-seeking motivation). Recently, China's major companies also looking for well-known global brands or distribution channels, management skills, while another important reason for investing abroad is technology acquisition (strategic asset-seeking motivation).

Scissors (2014, p. 4) points out that clearer property rights – compared to the domestic conditions – are also very attractive to Chinese investors, while Morrison (2013) highlights an additional factor, that is, China's accumulation of foreign exchange reserves: instead of the relatively safe but low-yielding assets such as US treasury securities, Chinese government wants to diversify and seeks for more profitable returns.

Regarding the entry mode of Chinese outward investments globally, greenfield FDI is continues to be important, but there is a trend towards more mergers and acquisition (M&A)

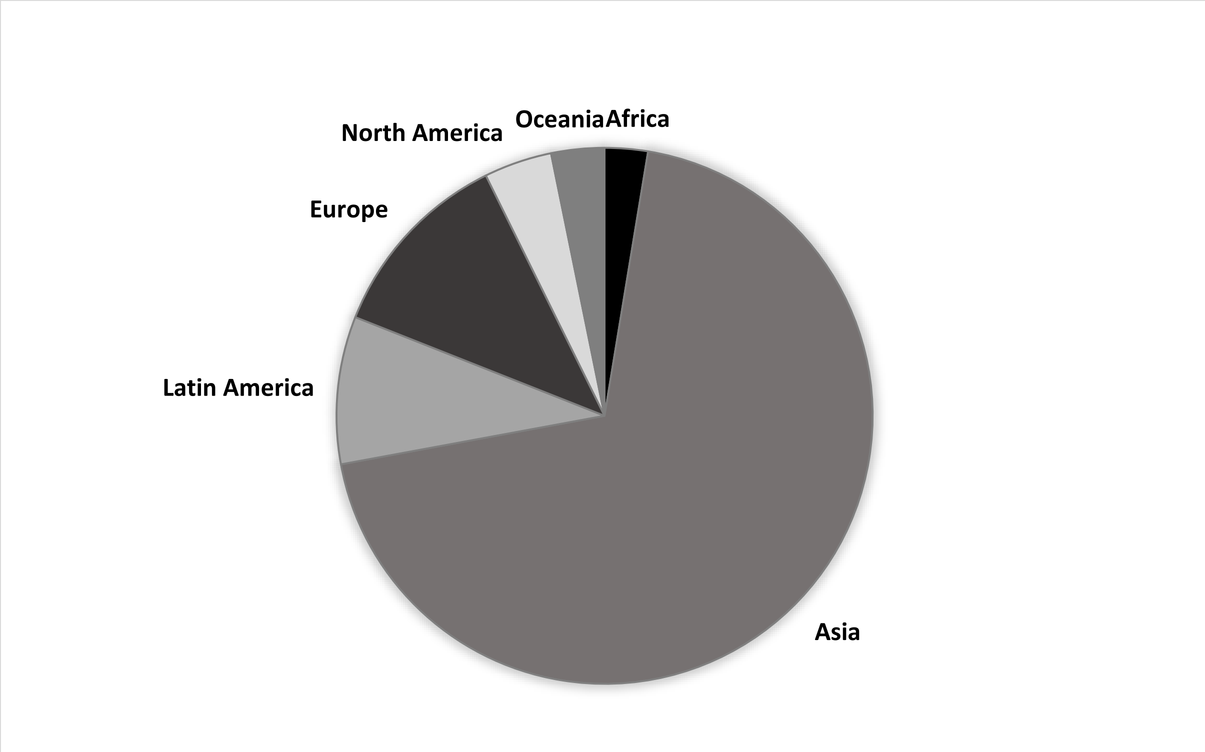
and joint venture projects overseas. Overall, greenfield investments of Chinese companies outpace M&As in numerical terms, however, greenfield investments are smaller in value in total as these include the establishment of numerous trade representative offices[7].

4.3 Chinese investments in Europe

Being one of the top investors of the developing world, since 2008 Chinese investment increased substantially in developed economies as well. Although this increase is impressive by all means, according to Chinese statistics, China still accounts for less than 10 per cent of total FDI inflows into the EU or to the US. However, during the examination of the actual final destination of Chinese outward FDI, Wang (2013) found that – as a result of round-tripping investments – developed countries receive more Chinese investments than developing economies: according to his project-level data analysis, 60 per cent of Chinese outward FDI went to developed economies like Australia, Hong Kong, the United States, Germany, and Canada.

Figure 6. Geographical distribution of China's outward FDI stock, by the end of 2017

[7] According to Chinese statistics (MOFCOM / NBS, PRC), in 2015, Chinese enterprises conduced 579 outward M&As in 62 countries (regions), with an actual transaction amount of 54.44 billion USD.

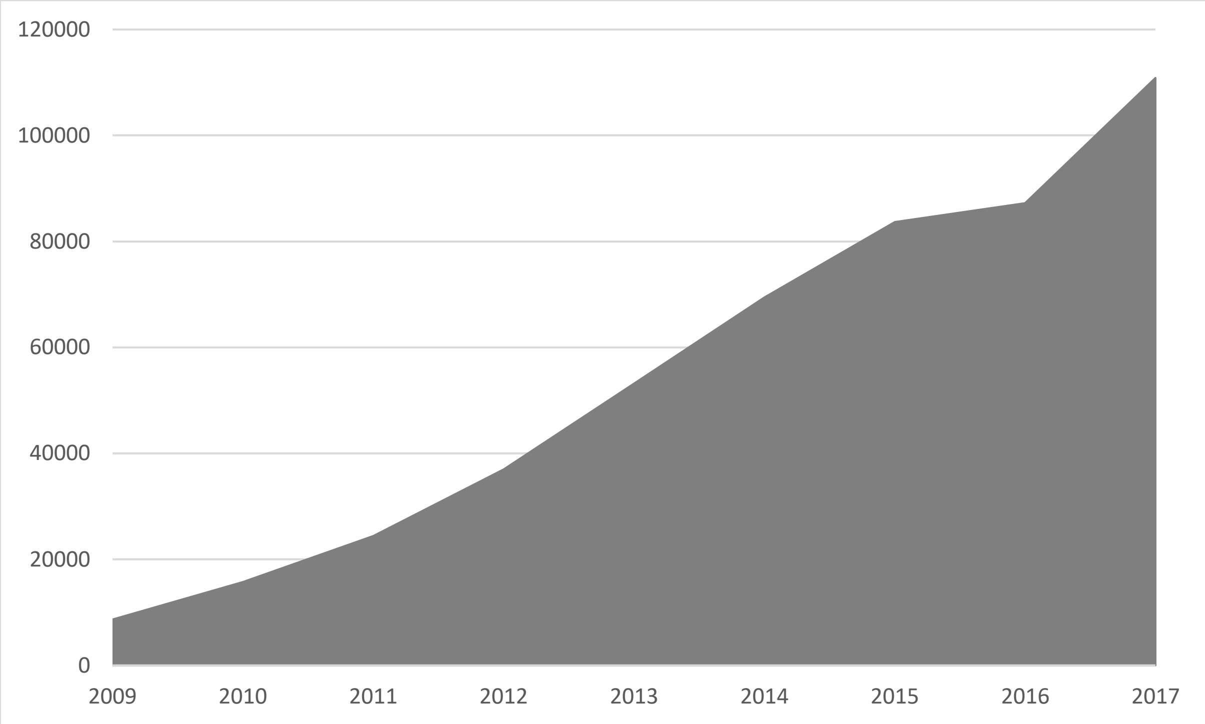


Data source: MOFCOM / NBS, PRC

As Clegg and Voss note (2012, p. 19), the industry-by-country distribution of Chinese outward FDI is difficult to determine from Chinese statistics. However, based on their findings, it can be stated that Chinese investments in mining industry are taking place mainly in institutionally weak and unstable countries with large amounts of natural resources and that these investments are normally carried out by SOEs. Investments in manufacturing usually take place in large markets with low factor costs, while Chinese companies seek technologies, brands, distribution channels and other strategic assets in institutionally developed and stable economies.

In developed economies Chinese investment are less dominated by natural resource seeking or trade-related motives but more concerned with the wide range of objectives, including market-, efficiency- and strategic assets-seeking motives (Rosen and Hanemann, 2013, p. 69 and WIR p. 46). In the case of developed countries, Chinese SOEs usually have the majority of deal value but non-state firms make the greater share of deals (Rosen and Hanemann, 2013, p. 71). In addition to greenfield investments and joint ventures, China's merger and acquisition (M&A) activity in developed countries has recently gained a momentum and continue an upward trend since more and more Chinese firms are interested in buying overseas brands to strengthen their own.

Figure 7. Chinese outward FDI stock in Europe, billion USD, 2009-2017



Data source: MOFCOM / NBS, PRC

The European Union has been the major destination for foreign direct investments in the last twenty years, with a dominance of intra-European FDI, extra-European FDI representing only about one-third of the total sum. Compared to the aggregate, Chinese foreign direct investment stock in the EU remains insignificant. However, regarding the trends and dynamism of Chinese outward FDI (see Figure 7.), the economic "footprint" and impact of Chinese foreign direct investment in the EU is indisputably expanding.

Hanemann (2013) points out commercial reasons behind most investments: the acquisition of rich-world brands and technology to increase competitiveness, money-saving by moving higher value-added activities in countries where regulatory frameworks are more developed, or by acquiring firms cheaper due to the crisis or due to a stronger renminbi. So, the crisis only accelerated the long-term Chinese strategy of going global and move up the value chain (Parello-Plesner, 2013, p.19).

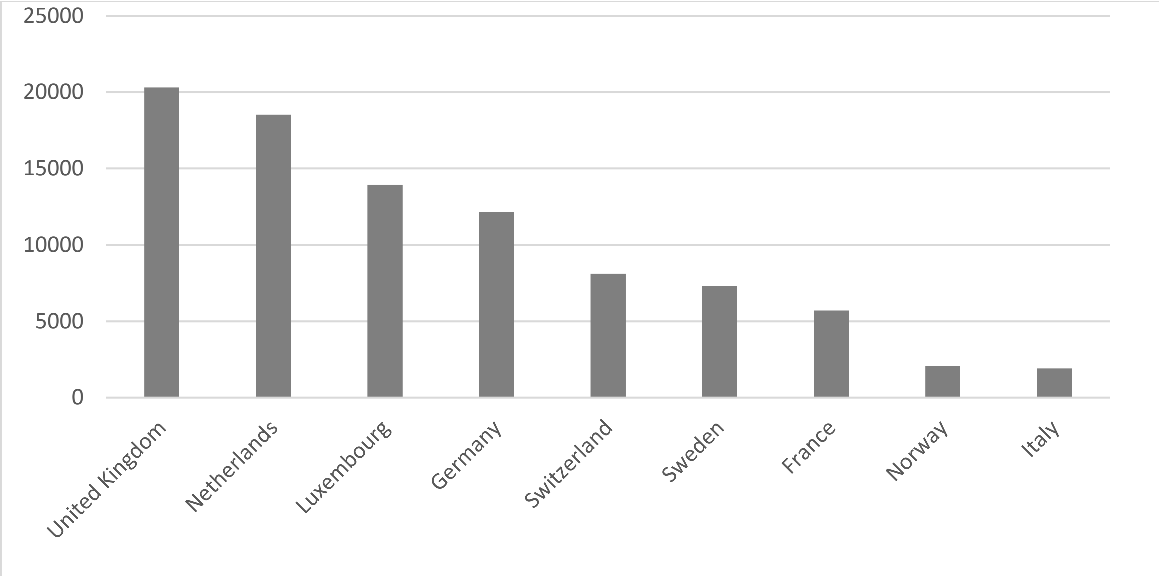
Table 3. Chinese outward FDI in the EU by industry, billion USD, by 2016

industry	stock	share
mining	238,6	27,3
manufacturing	175,1	20,1
financial services	144,4	16,6
wholesale and retail	78,7	9
leasing and business services	70,8	8,1
subtotal	707,6	81,1

Data source: MOFCOM / NBS, PRC

China's strong desire for success envisions the next phase of development building on innovation and high and green technology. In line with these ideas – besides mining, manufacturing and financial services – we've seen large-scale Chinese acquisitions in the chemicals sector – BorsodChem became part of the Wanhua Industrial Group – and the automotive industry – Rover Group belongs to the Shanghai Automotive Industry Corporation, Chinese Geely Automobile Holdings owns Volvo and Chinese also have a share in what is left of the Swedish group Saab. Great Wall Motors Company has opened a new plant in Bulgaria and thus became the first Chinese automaker to assemble cars in the European Union. Romania has also been attracting Chinese greenfield investments, among them a plant by Shantuo Agricultural Machinery Equipment to produce tractors.

Figure 8. Chinese FDI in selected European countries, million USD, 2017



Data source: MOFCOM / NBS, PRC

Another significant research element when taking a closer look at Chinese outward FDI in Europe is the geographical distribution of investments. Chinese investment is very unevenly distributed among EU countries. The top recipients of Chinese FDI are traditionally the United Kingdom, , the Netherlands, Luxembourg, Germany, Switzerland, Sweden, France, Norway and Italy (see Figure 8.).

4.4 Push Factors for Chinese outward FDI

Push factors are those factors that drive (push) investment to other countries. Several types of push factors contribute to the internationalization of companies from developing countries. We can differentiate between institutional and structural push factors. Structural push factors - such as gross domestic product (GDP), export-orientedness, interest rates, stock returns or exchange rate volatility - are related to the home country's domestic economy and market. Institutional push factors are related to the distance between home and host country - such as, for example, cultural proximity that can be measured by the size of the Chinese diaspora in the host country - or government policy (for country and industry recommendations), including specific incentives, taxes, or the role of and actors, and their interplay (Scott, 2002; Wang, 2002; Peng, 2005; Voss et al., 2008; Schüler- Zhou & Schüller, 2009; Luo et al., 2010.

In China, initially, only large state-owned enterprises from the natural resource sector were supported to invest abroad. Later on, to help small and medium-sized enterprises (SMEs) develop their international markets, a government regulation on capital support for SMEs was introduced in 2000, at the very beginning of the ‘going-global’ policy. In contrast, the promotion of outward FDI by privately- owned companies was only approved in February 2006.

Through the approval process for outward FDI projects and access to foreign exchange and preferential loans, the government can exert direct influence on the growth and patterns of outward investments. The Ministry of Commerce of the People's Republic of China (MOFCOM) requested that companies invest in countries that

1. have a close relationship with China,
2. exhibit complementarities to the Chinese economy,
3. are important trading partners of China,
4. have signed investment and taxation agreements, and
5. are part of an important economic region in the global economy (MOFCOM, 2004).

The Chinese "Catalogue of Industries for Guiding Foreign Investment"

The "Catalogue" has usually been issued by National Development and Reform Commission and the Ministry of Commerce. Initially, in the early 2000's, there were 67 recommended countries and seven recommended industries for Chinese outward FDI. The country recommendations included 26 Asian countries (three in Central Asia), 13 African countries, 12 European countries (ten of them in the European Union, old member states + CZ, HU, PL), 11 countries in North and South America, and five countries in Oceania.

The Catalogue retains the classification of industries based on those that are encouraged, restricted, or prohibited. For manufacturing, the most recommended industries are usually electric machines and consumer electronics, while for services, trade and distribution were suggested most often. In the highly technologically developed EU member countries, France, Germany, the UK, and Sweden, investment in R&D was advocated as well. Rather surprisingly, investment in IT services was recommended in the ‘new’ EU member countries.

4.5 Pull factors for Chinese outward FDI

Host country determinants - or pull factors - are those characteristics of the host country markets that attract FDI towards them. Pull factors - just like push factors - can be grouped into institutional and structural factors. "While international and regional investment and trade agreements, as well as institutions such as banks or investment promotion agencies

(IPAs) involved in outward FDI, are counted as institutional pull factors, while structural pull factors include low factor costs, markets, and opportunities for asset-seeking companies" (Schüler-Zhou Y., Schüller M., Brod M. 2012: 163).

In the case of emerging MNEs, the main structural/macroeconomic pull factors - i.e. host country determinants that can "pull" them to developed markets - are market access, low factor costs, qualification and/or cost of labour force, opportunities for asset-seeking companies, brand, know-how, knowledge, networks, distribution channels, access to global value chains, company-level relations and the high level of technology. Gaining access to local or regional markets is the driving motivation for market-seeking companies that tend to invest more in large economies or economies that are difficult to enter due to the host country's regulations (e.g., trade barriers). Strategic asset-seeking and efficiency-seeking investors usually aim to acquire the newest technology, as well as marketing and management expertise, in highly developed host countries (Makino, Lau, & Yeh, 2002, p. 404). The high level of business development is another pull factor for Chinese efficiency-seeking investors, who try to rationalize their business processes, including production, distribution and marketing, by taking advantage of country differences in the cost of factor endowments or by realizing economies of scale and scope (Dunning, 1993).

The most important institutional pull factors are international and regional investment and trade agreements, free trade agreements of the host country (or that of the EU), host government policies, tax incentives, residence visa, institutions such as banks, government-related investment promotion agencies, institutional stability (intellectual property rights/IPR protection, product safety standards), privatization opportunities, public procurement processes and also Chinese diaspora. In addition to these, political relations might also play a role.

5. Chinese FDI in Central and Eastern Europe[8]

The transformation of Central and Eastern European (CEE) countries from centrally planned to market economies has also generated significant research on FDI flows to these transition countries. However, most studies focus on the period before 2004, which is the year of accession of eight CEE countries into the EU (Carstensen and Toubal, 2004; Janicki and Wunnawa, 2004; Kawai, 2006). Investors, mainly from EU15 countries, were attracted by relatively low unit labour costs, market size, openness to trade and proximity (Bevan and Estrin, 2004; Clausing and Dorobantu, 2005; Janicki and Wunnawa, 2004). Diverse institutional factors influenced inward FDI but the prospects of their economic integration with the EU increased FDI inflows in almost all countries (Bevan and Estrin, 2004).

When analysing the impact of the institutional characteristics of CEE countries, such as forms of privatisation, capital market development, state of laws and country risk, the studies show varying results. According to Bevan and Estrin (2004: 777) institutional aspects were not a significant factor in the investment decisions of foreign firms. Carstensen and Toubal (2004) argue that they could explain uneven distribution of FDI across CEE countries. Fabry and Zeghni (2010) point out that in transition countries institutional weaknesses – such as poor infrastructure, lack of developed subcontractor network and an unfavourable business environment – may explain FDI agglomeration more than positive externalities that are effects of linkages, such as spillovers, clusters and networks.

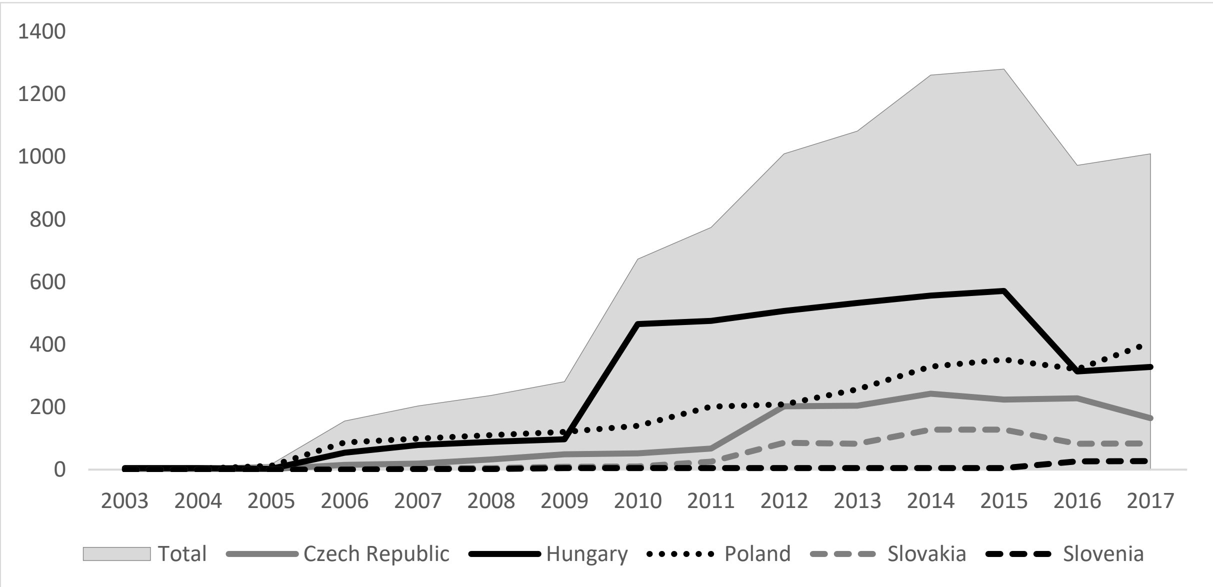
Campos and Kinoshita (2008), based on a study of 19 Latin American and 25 East European countries in the period 1989–2004, found that structural reforms, especially financial reform and privatisation, had a strong impact on FDI inflows. McCaleb and Szunomar (2017) also found that in the case of Chinese MNEs' motives in CEE significant role is devoted to institutional factors and other less-quantifiable aspects, such as political relations.

[8] This section is partly based on McCaleb-Szunomár (2017): Chinese foreign direct investment in Central and Eastern Europe: an institutional perspective. In: Chinese investment in Europe: corporate strategies and labour relations. ETUI, Brussels, pp. 121-140.

5.1 Changing patterns of Chinese outward FDI in the CEE region

The change of Central and Eastern European countries from centrally planned to market economy resulted in increasing flows of foreign direct investment to these transition countries. During the transition, the region went through radical economic changes which had been largely induced by foreign capital. Foreign multinationals realised significant investment projects in this region and established their own production networks. Investors, mainly from EU-15 countries, were attracted by relatively low unit labour costs, market size, openness to trade, and proximity.

Figure 9. Chinese FDI stock in five selected CEE countries, million USD, 2003-2017

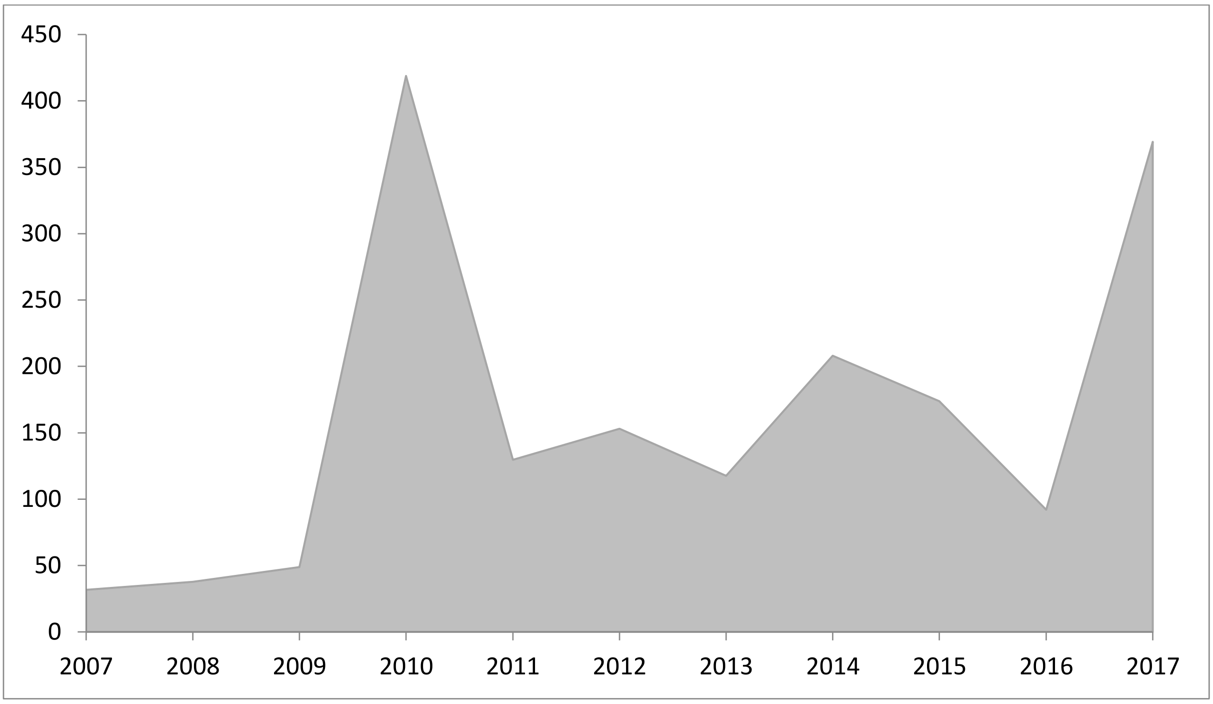


Data source: MOFCOM / NBS, PRC

The first phase of inward Asian FDI came right after the transition: Japanese and Korean companies indicated their willingness of investing in Hungary already before the fall of the iron curtain. Their investments took place during the first years of the democratic transition. After the Chinese government initiated the go global policy, which was aimed at encouraging domestic companies to become globally competitive, Europe - including European peripheries - also became a target region for Chinese FDI (see Szunomár 2017).

As Figure 9. shows, Chinese outward investment stock in the five selected CEE countries has steadily increased in the last one and a half decades, particularly after 2004 and 2008, the accession date to the EU and the economic and financial crisis, respectively. According to Chinese statistics, it means a real rapid increase from 9,6 million US dollars in 2004 to 673 million US dollars in 2010. By 2017, the amount of Chinese investments has further increased and reached 1009 million USD according to MOFCOM data. It is, however, also true that FDI flows are rather hectic (see Figure 10) and are connected to one or two big business deals per year.

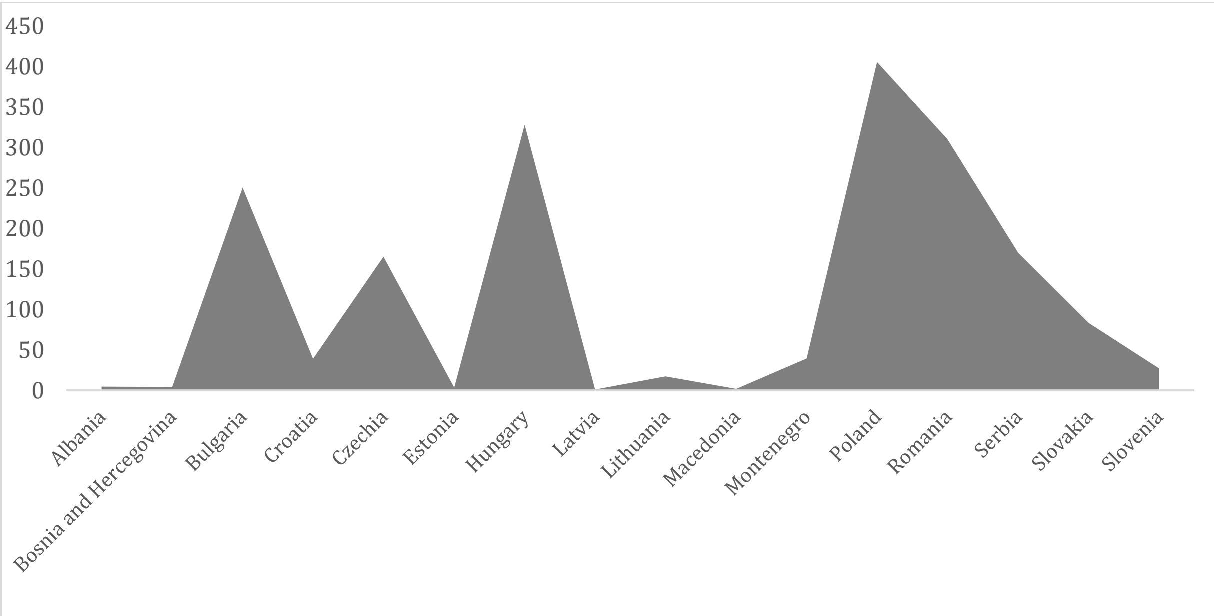
Figure 10. Chinese FDI flow to five selected CEE countries, million USD, 2007-2017



Data source: MOFCOM / NBS, PRC

Although China considers the Central and Eastern European region as a bloc (this is one of the reasons for creating the so-called 16+1 initiative), some countries seem to be more popular investment destinations than others: the selected five CEE countries host almost 55 per cent of total Chinese FDI stock in the 16 CEE countries (see Figure 11.). Among them, Hungary, Poland and Czechia have received the bulk of Chinese investment in recent years.

Figure 11. Chinese FDI stock in 16 CEE countries, million USD, 2017

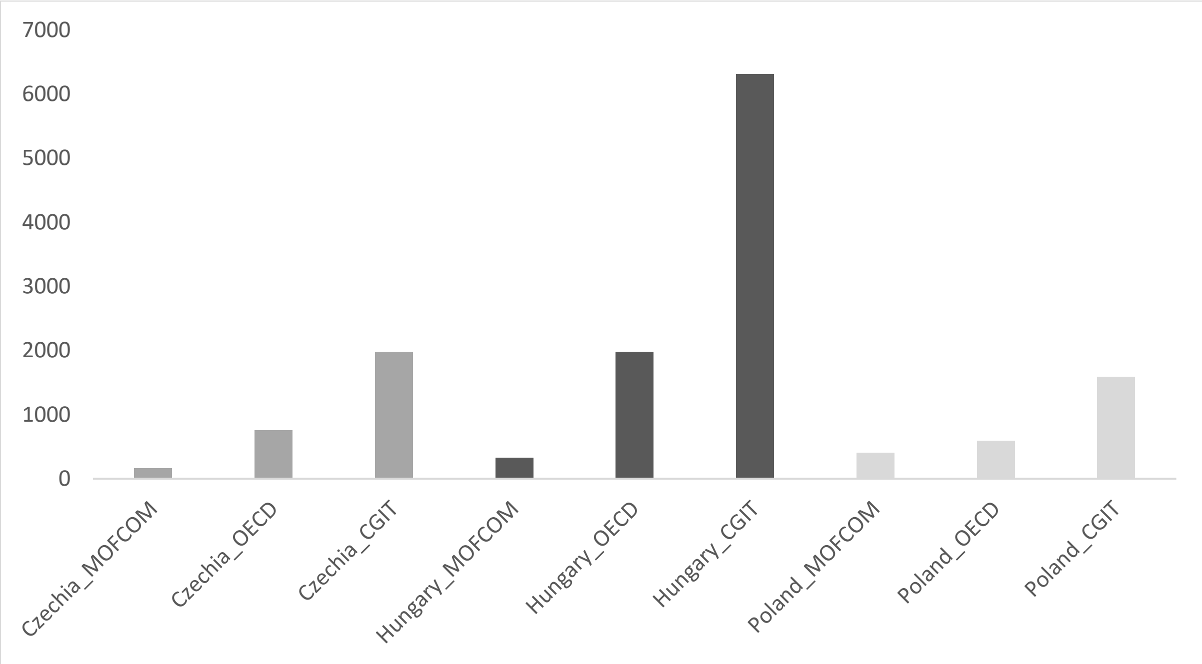


Data source: MOFCOM / NBS, PRC

Chinese MOFCOM' statistics are adequate to show the main trends of Chinese outward FDI stocks and flows, however, apart from this, it is a less reliable data source as it doesn't show those Chinese investments that has flowed to a country through a foreign country, company or subsidiary. In order to identify the country of the foreign investor that ultimately controls the investments in the host country, the new IMF guidelines recommend compiling inward investment positions according to the Ultimate Investing Country (UIC) principle. If we compare MOFCOM data with two other databases - the China Global Investment Tracker (CGIT) and OECD - that tracks back data to the ultimate parent companies (see Figure 12.), we find major differences in the case of the main recipients of Chinese outward FDI in CEE.

Based on the Ultimate Investing Country principle we can also calculate the percentage share of Chinese outward FDI of total inward FDI in the selected five CEE countries. As CGIT statistics often contains various infrastructure projects - such as the planned costs of the Budapest-Belgrade railway - that should be considered separately as those are rather credit agreements, we decided to use OECD data. As expected, China's share of total invested FDI in CEE is still negligible: it is below 1 per cent for the Czech Republic and Poland (0,7 and 0,3, respectively) and below 3 per cent (2,6) for Hungary. It is even less - below 0,3 per cent - in the case of Slovakia and Slovenia.

Figure 12. Comparing MOFCOM, CGIT and OECD data on China's outward FDI stock in Czechia, Hungary and Poland, 2016/2017[9], million USD



Data source: MOFCOM / NBS, PRC, CGIT, OECD

The selected five CEE countries account for a major share of the population (around 66 million) and economic output (more than 1000 billion USD, according to World Bank) of Central and Eastern Europe and all of them have strengthened their relations with China in recent years. Now they have several Chinese companies investing in various sectors with a growing number of mergers and acquisitions in recent years, after the 2008 global crisis. Hungary still receives the majority of Chinese investment in the region, followed by Poland and Czechia, while Slovakia and Slovenia lag a little behind due to their small size and lack of efficient transport infrastructure. The main forms and sectors of Chinese investment are similar in all countries, although it is more diverse in the more popular target countries (Hungary and Poland), while there are certain sectors – for example, tourism– in which Chinese companies have preferred to target Slovenia.

[9] MOFCOM and CGIT data are from 2017, while OECD data shows 2016 stock of Chinese FDI.

Table 4. Major characteristics of Chinese investment in five selected CEE countries

	Hungary	Poland	Czechia	Slovakia	Slovenia
Main form of investment	Greenfield / brownfield, M&A, joint ventures	Greenfield and M&A	Greenfield and M&A	Greenfield and M&A	M&A and Greenfield
Main sectors	Chemical, IT / ICT, electronics, wholesale and retail, automotive, banking, hotels and catering, logistics, real estate	IT / ICT, electronics, heavy machinery, publishing and printing, real estate, municipal waste processing	Electronics, IT / ICT, transport equipment, automotive, shipping, engineering, food, media, plate-making	automotive industry, IT / ICT	Chemical, automotive, airport construction/ airplane production industry, electronics/ high technology, IT / ICT
Most important Chinese companies	Wanhua, Huawei, ZTE, Lenovo, Sevenstar Electronics, BYD Electronics, ZMJ, Comlink, Yanfeng, China-CEE Fund	Liu Gong Machinery, Huawei, ZTE, Haoneng Packaging, Shanxi Yuncheng Plate-making Group, Sino Frontier Properties Ltd., China Everbright International Ltd.	Shanxi Yuncheng, Changhong, SaarGummi, Noark, Huawei, ZTE, Shanghai Maling, COSCO, YAPP, CEFC, Buzuluk Komarov, China CNR	SaarGummi, ZVL Auto, Inalfa Roof Systems, Mesnac, Lenovo, Huawei	Zhejiang Jinke Culture Industry, Elaphe, Sino-Pipistrel Asia Pacific, TAM Durabus, Fotona, Arctur, Acies Bio, Chiho Tiande Group, China-CEE Fund, Huawei

Source: own compilation

As presented in *Table 4.,* Chinese investors typically target secondary and tertiary sectors of the selected five countries. Initially, Chinese investment has flowed mostly into manufacturing (assembly), but over time services attracted more and more investment as well. For example in Hungary and Poland there are branches of Bank of China and Industrial and Commercial Bank of China as well as offices of some of the largest law offices in China, Yingke Law Firm (in Hungary in 2010, in Poland in 2012), Dacheng Law Offices (in Poland in 2011, in Hungary in 2012). Main Chinese investors targeting these five countries are interested primarily in telecommunication, electronics, chemical industry and transportation. Although the main form of investment used to be greenfield in the first years after Chinese companies discovered the CEE region, later on - especially after the global financial crisis of 2008 - mergers and acquisitions became more frequent. The main reason behind this shift is that Chinese companies' investment are increasingly motivated by seeking of brands, new technologies or market niches that they can fill in on European markets.

5.2 Host-country determinants of Chinese FDI in the CEE region

When searching for possible pull factors that make the CEE countries a favourable investment destination for Chinese investors, the labour market is to be considered as one of the most important factors: a skilled labour force is available in sectors for which Chinese interest is growing, while labour costs are lower here than the EU average. However, there are differences within the broader Central and Eastern European region as well; unit labour costs are usually cheaper in Bulgaria and Romania than in the five selected CEE countries. Corporate taxes can also play a role in Chinese companies' decision to invest in the region. Nevertheless, these labour cost and tax differences within the broader Central and Eastern European region don’t seem to really influence Chinese investors as there is more investment from China in the selected CEE countries (especially in Czechia, Hungary and Poland) - where labour costs and taxes are relatively higher compared to Romania and Bulgaria - than in Romania or Bulgaria. An explanation for that can be the theory of agglomeration as generally outward FDI in these countries is the highest in the region (McCaleb-Szunomár 2017).

Although the above-mentioned efficiency-seeking motives play a role, the main type of Chinese FDI in CEE countries is definitely market-seeking investment: by entering these markets Chinese companies have access not only to the whole EU market but might also be attracted by Free Trade Agreements between the EU and third countries such as Canada, and the EU neighbouring country policies etc. as they claim that their CEECs subsidiaries are to sell products in the host, EU, Northern American or even global markets (Wiśniewski, 2012: 121). For example, Nuctech (Poland), a security scanning equipment manufacturer, sells also to Turkey; Liugong Machinery subsidiary in Poland targets the EU, North American and CIS markets, while Huawei's logistic centre in Hungary supplies 55 countries.

Based on the interviews, Chinese companies wanted to have operations in CEE which can either be linked to their already existing businesses in Western Europe or can help strengthen their presence on the wider European market. In addition, there are also "cases of Chinese companies following their customers to the CEE region countries, as in the case of Victory Technology (supplier to Philips, LG and TPV) or Dalian Talent Poland (supplier of candles to IKEA)" (McCaleb-Szunomár 2017: 125). Moreover, Chinese firms' CEE subsidiaries allow them to participate in public procurements. Example is Nuctech company that established its subsidiary in Poland in 2004 and initially targeted mainly Western European markets but focused later more on CEE which benefit from different EU funds. Recently Chinese firms also became interested in investing in food industry as a result of growing awareness about food safety standards and certificates. These companies would be interested in exporting agricultural products with EU safety certificates to China where food safety causes problems. These factors, however, lead us already to the institutional host-country determinants of the CEE region.

We can divide institutional factors into two levels: supranational and national. Both levels are important elements in the location decisions of Chinese companies in the five selected CEE countries (McCaleb-Szunomár 2017). As for supranational institutional factors, we can state that the change of the institutional setting of central and eastern European countries due to their economic integration into the EU has been the most important driver of Chinese outward FDI in the region, especially in the manufacturing sector. EU membership of CEE countries allowed Chinese investors to avoid trade barriers and CEE countries could also serve as an assembly base for Chinese companies. Moreover, not only the membership but the prospect of their accession attracted new Chinese investors to the region: some companies made their first investments already in the early 2000's, before 2004. New investments arrived in the year of accession, too. The second phase of Chinese FDI in CEE dates back to the global economic and financial crisis, when financially destressed companies all over Europe, incl. CEE, had often been acquired by Chinese companies.

Another aspect of EU membership that has induced Chinese investment in the five selected CEE countries is institutional stability (for example the protection of property rights). It was important for early investors form Japan or Korea but was also one of the drivers of Chinese FDI due to the unstable institutional, economic and political environment of their home country. It is in line with the findings of Clegg and Voss (2012, p 101) who argue that Chinese outward FDI in the EU shows “an institutional arbitrage strategy” as “Chinese firms invest in localities that offer clearer, more transparent and stable institutional environments. Such environments, like the EU, might lack the rapid economic growth recorded in China, but they offer greater planning and property rights security, as well as dedicated professional services that can support business development”.

National-level institutional factors includes, for example, strategic agreements, tax incentives and privatisation opportunities. The significance of such factors began to increase only recently, as majority of CEE - with the exception of Hungary - neglected relations with China in the early 2000's and started to focus on the potentials of this relationship only since the aftermath of the global financial crisis of 2008. Based on our observations as well as responses from interviewees, Chinese companies indeed appreciate when a business agreement is supported by the host country government, therefore those high-level strategic agreements with foreign companies investing in Hungary offered by the Hungarian government could also spurred Chinese investment into the region. Personal contacts were also important when choosing a host country in CEE.

We also found that in the case of Chinese MNEs’ motives in CEE significant role is devoted to other less-quantifiable aspects: besides EU membership, market opportunities and qualified but cheaper labour important factors are the size and feedback of Chinese ethnic minority in the host country, investment incentives and subsidies, possibilities of acquiring visa and permanent residence permit, as well as the quality of political relations and government’s willingness to cooperate.

A clear example for the above is the stock of Chinese investment in Hungary that is the highest in the broader Central and Eastern European region. Hungary is a country where the combination of traditional economic factors with institutional ones seems to play an important role in attracting Chinese investors. Hungary has had historically good political relations and earlier than other CEE countries and intensified bilateral relations in order to attract Chinese FDI already from 2003 onwards. Hungary is the only country in the region that introduced special incentive for foreign investors from outside the EU, a 'golden visa' program, which is a possibility to receive a residence visa when fulfilling the requirement of a certain level of investment in Hungary. Moreover, Hungary has the largest Chinese diaspora in the region which is an acknowledged attracting factor of Chinese FDI in the extant literature, that is a relational asset constituting a firm's ownership advantage (Buckley et al., 2007). Example is Hisense's explanation of the decision to invest in Hungary that besides traditional economic factors was motivated by "good diplomatic, economic, trade and educational relations with China; big Chinese population; Chinese trade and commercial networks, associations already formed" (CIEGA, 2007).

In addition to the above-mentioned pull factors, Hungary also seems to be committed towards China politically. Hungary was among the first to establish diplomatic relations with China (3rd October 1949), diplomatic gestures and confidence-building measures are taken from time to time. Hungary was the first European country to sign a memorandum of understanding with China on promoting the Silk Road Economic Belt and Maritime Silk Road, during Chinese Foreign Minister Wang Yi's visit to Budapest in June, 2015. The Hungarian government was very keen on the Budapest-Belgrade railway project and when it signed the construction agreement in 2014, Prime Minister Orbán called it the most important moment in cooperation between the European Union and China (Keszthelyi 2014).

6. Summary

The rise of emerging market multinationals is a new and dynamic process, while their approach towards their host economies are relatively unique compared to more developed MNEs. In this course material we summarized the existing theories of internationalization and foreign direct investment, presenting the mainstream theories, the Japanese School of FDI and some of the new theoretical avenues. After summing up the major characteristics of the East Asian model of development - including economic processes, institutional and political aspects - we analysed the major driving forces - push and pull factors - behind the international expansion strategies of Chinese MNEs. The analysis used a comparative approach and examined the similarities as well as differences of Japanese, South Korean and Chinese outward FDI. After presenting the main features of Chinese outward foreign direct investment globally, we narrowed the analysis to Chinese investments to the developed world and used Chinese outward FDI in Central and Eastern Europe as a case study, including its changing patterns, characteristics as well as major location determinants.

As mentioned above, while Chinese outward FDI in emerging or developing countries is characterized more by resource-seeking motives, Chinese companies in the developed world are rather focusing on buying themselves into global brands or distribution channels, getting acquainted with local management skills and technology, so-called strategic assets. Regarding modes of entry, investments shifted from greenfield investments to mergers and acquisitions currently representing around two-thirds of all Chinese outward FDI in value. This shift is driven by the financial crisis, however it also seems to be a new trend of Chinese FDI to the developed world, while greenfield investment remains significant in the developing world.

China's outward FDI has also become more diversified in the past years: from mining and manufacturing it turned towards high technology, infrastructure and heavy industry, and lately to the tertiary sector: business services and finance but also health care, media and entertainment. Asia continues to be the largest recipient, accounting for nearly three-quarters of total Chinese outward FDI, followed by the EU, Australia, the US, Russia and Japan. Numbers might be misleading though due to round-tripping (the investment is placed in offshore financial centres only to flow it back in the form of inward FDI to China to benefit from fiscal incentives designed for foreign investors). According to project-level analysis, 60 percent of

Chinese outward FDI is aimed at developed economies like Australia, Hong Kong, the United States, Germany, and Canada.

As for Chinese outward FDI to the European Union, the Eurozone crisis attracted Chinese investors due to falling prices. As mentioned, Chinese investors prefer „old European" investment destinations not only because of market size but also because of well-established, sound economic relations with these countries.

Chinese investment in CEE constitutes a relatively small share in China's total FDI in Europe and is quite a new phenomenon. Nevertheless, Chinese FDI in the region is on the rise and may increase further due to recent political developments between China and certain countries of the region, especially Hungary, Czechia and - to a lesser extent - Poland. The investigation of the motivations of Chinese outward FDI in CEE shows that Chinese MNEs mostly search for markets. CEE countries' EU membership allows them to treat the region as a 'back door' to the affluent EU markets and Chinese investors are attracted by the relatively low labour costs, skilled workforce, and market potential. It is characteristic that their investment pattern in terms of country location resembles that of the world total FDI in the region.

However, macroeconomic or structural factors do not fully explain the decisions behind Chinese FDI in the broader Central and Eastern European region. Hungary, the largest recipient of Chinese investment, is not the most attractive location in terms of either cutting costs or the search for potential markets. This indicates that institutions may be crucial when choosing location for Chinese companies.

Country-level institutional factors that impact location choice within CEE countries seem to be the size of Chinese ethnic population, investment incentives such as special economic zones, 'golden visas' or resident permits in exchange for given amount of investment, privatization opportunities, but also good political relations between host country and China.

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Annex

Course syllabus

Academic Year: 2018/2019 Spring Semester

Course Type: Far-East and China Area Studies Modul course, CUB International Relations Multidisciplinary Doctoral School

Instructor: Ágnes Szunomár, Ph.D., Research Fellow, Head of Research Group on Development Economics at the Institute of World Economics, Centre for Economic and Regional Studies of the Hungarian Academy of Sciences

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Course Overview: Outward foreign direct investment (outward FDI) from Asian emerging regions is not a new phenomenon, what is new, is the magnitude that this phenomenon has achieved over the past two decades. The recent takeovers of high-profile companies in developed or developing countries by Asian emerging-market multinational enterprises (MNEs) as well as the greenfield or brownfield investments of emerging companies show a new trend where new kind of firms become major players globally. This discussion-based course focuses on the rise of multinational enterprises (MNEs) from Asian emerging markets. Topics include the main theories of internationalization, the global patterns and recent trends of Chinese as well as other Asian MNEs, push and pull factors behind the international expansion strategy of Asian MNEs, together with company case studies focusing on human resource and other management issues.

Course Requirements: Students are expected to complete all the required readings (specified during the course) before every class, and to contribute actively to the discussions. For every reading, there will be a discussion leader, who does a short, ten/fifteen-minute opening presentation, to get the discussion started, while two other students will act as discussants. The main output of the course will be a seminar paper of about 20 pages. The topic of the paper (which must be related to the topic of the course) has to be submitted by session 4, including a few bibliographic suggestions, while the outline of the paper, including a tentative bibliography, by session 6. The final paper will be due three weeks after the last session.

Grading: Final paper: 40%, Presentations: 30%, Participation: 30%. The grades are as follows: 0-50%: Fail (1); 51-62%: Pass (2); 63-74%: Satisfactory (3); 75-86%: Good (4); 87-100%: Excellent (5).

Class participation is compulsory; students may miss a maximum of 25% of the classes (3 classes). Students, however, are encouraged to discuss any absence planned or unexpected with the instructor.

Session One - Introduction. Outline of the Course. Review of Requirements and Readings

Session Two - How do emerging market firms internationalize? - Old versus new theories.

Session Three - Chinese MNEs activities globally

Session Four - Chinese MNEs in Europe

Session Seven and Eight - Driving forces and location choices behind the international expansion strategy of Asian MNEs: Push and pull factors

Session Nine, Ten, Eleven - Company cases – Investment motivations, management and human resource management methods, social responsibility, etc. Suggested company cases: Suzuki, Samsung, Huawei and ZTE, Hankook, Tata, LG, Wanhua, Midea/KUKA, etc.

Session Twelve - Summary and consultations on the final course papers

Suggested readings

How do emerging market firms internationalize? - Old versus new theories.

1. Aggarwal, K. and T. Agmon. (1990). "The International Success of Developing Country Firms: Role of Government Directed Advantage." *Management International Review* 30(2), 163–180.
2. Dunning, J.H., R. Van Hoesel, and R. Narula. (1998). Third World Multinationals Revisited: New Developments and Theoretical Implications. In J.H. Dunning (ed.), *Globalisation, Trade and Investment*. Amsterdam: Elsevier, pp. 255–286.
3. Dunning, J.H. (1986). "The Investment Development and Third World Multinationals." In K.M. Khan (ed.), *Multinationals from the South: New Actors in the International Economy*. London: Pinter Publishers.
4. Dunning J, Lundan SM. (2008). Institutions and the OLI paradigm of the multinational enterprise. Asia Pacific Journal of Management 25: 573–593.
5. Gammeltoft P, Barnard H, Madhok A. (2010). Emerging multinationals, emerging theory: macro- and micro-level perspectives. Journal of International Management 16: 95–101.
6. Mathews, J. A. (2006). "Dragon multinationals: new players in 21st century globalization." Asia Pacific Journal of Management 23: 5–27.
7. Ozawa, Terutomo (2014): Multinationals as an Instrument of Catch-up Industrialization: Understanding the Strategic Links between State and Industry in Emerging Markets. In: Andreas Nölke (ed): Multinational Corporations from Emerging Markets - State Capitalism 3.0". Palgrave Macmillan, 2014, pp 31-54
8. Ramamurti, R. - Singh, J., V. (2009): 'Emerging Multinationals in Emerging Markets', Cambridge University Press, Cambridge

Chinese MNEs activities globally

1. Buckley, P., J. Clegg, R. A. Cross, X. Liu, H. Voss, and P. Zheng. 2007. "The Determinants of Chinese Outward Foreign Direct Investment." *Journal of International Business Studies* 38: 499-518

2. Child J., Rodrigues SB. 2005. The internationalization of Chinese firms: a case for theoretical extension? Management and Organization Review 1: 381–410.
3. Davies, Ken (2010): Outward Foreign Direct Investment from China and its Policy Context. *Transnational Corporations Review* Vol. 2 , Iss. 4,2010
4. Nölke, Andreas *(2014):* Private Chinese Multinationals and the Long Shadow of the State. In: Andreas Nölke (ed): Multinational Corporations from Emerging Markets - State Capitalism 3.0”. Palgrave Macmillan, 2014, pp 77-89
5. Sauvant, Karl P. and Zitian Chen, Victor (2014): China’s regulatory framework for outward foreign direct investment. *China Economic Journal* Vol. 7, Iss. 1.

Chinese MNEs in Europe

1. Andreosso-O’Callaghan, Bernadette and Dathe, Christopher (2016): Chinese MNEs direct investment in the European Union in the background of the euro crisis. In: Taylor and Andreosso-O’Callaghan (eds), Emerging Asian economies and MNCs strategies”, Chapter 8, pp. 139-154, Edward Elgar: Chelthenham.
2. Knoerich, Jan (2012): The Rise of Chinese outward FDI in Europe. In: Ilan Alon, Marc Fetscherin and Philippe Gugler (eds.): Chinese International Investments. Palgrave MacMillan, 2012, pp 175-211
3. Liu, Yipeng and Woywode, Michael (2012): Chinese M&A in Germany. In: Ilan Alon, Marc Fetscherin and Philippe Gugler (eds.): Chinese International Investments. Palgrave MacMillan, 2012, pp 212-233
4. Schüler-Zhou, Yun Schüller, Margot and Brod, Magnus (2012): Push and Pull Factors for Chinese outward FDI in Europe. In: Ilan Alon, Marc Fetscherin and Philippe Gugler (eds.): Chinese International Investments. Palgrave MacMillan, 2012, pp 157-174
5. Szunomar, Agnes and Mccaleb, Agnieszka, Chen, Xin (2018): Economic Relations between China and Central and Eastern Europe: trade and Investment Issues. In: Weiqing Song (ed.) China's relations with Central and Eastern Europe: from "old comrades" to new partners. 272 p. London: Routledge, 2018. pp. 48-65.
6. Szunomar, Agnes and Mccaleb, Agnieszka, (2017): Chinese foreign direct investment

in central and eastern Europe: an institutional perspective. In: Drahokoupil J (ed.) Chinese investment in Europe: *corporate strategies and labour relations*. Brussels: European Trade Union Institute (ETUI), 2017. pp. 121-140.

7. Szunomár, Agnes (2016): The characteristics, changing patterns and motivations of Chinese investment in Europe In: Shada Islam (ed.) EU-China relations: new directions, new priorities. Brussels: Friends of Europe, 2016. pp. 73-76. (Friends of Europe Discussion Paper; Summer 2016.)

Emerging MNEs from other Asian countries 1. (Japan, Taiwan, South Korea)

1. Robert Fitzgerald & Chris Rowley (2015): Japanese multinationals in the post-bubble era: new challenges and evolving capabilities. *Asia Pacific Business Review* Vol. 21, Iss. 3.
2. Robert Fitzgerald & Huaichuan Rui (2016): Whose fall and whose rise? Lessons of Japanese MNCs for Chinese and emerging economy MNCs. *Asia Pacific Business Review* Vol. 22, Iss. 4,2016
3. Roger Van Hoesel (2010): The emergence of Korean and Taiwanese multinationals in Europe: prospects and limitations. *Asia Pacific Business Review* Vol. 4 , Iss. 2-3,1998
4. Seung-il Jeong (2014): South Korean Multinationals after the Asian Financial Crisis: Toward Liberal Capitalism?" In: Andreas Nölke (ed): Multinational Corporations from Emerging Markets - State Capitalism 3.0". Palgrave Macmillan, 2014, pp 55-76
5. Sim, Ah Ba (2012): A comparative case study of the internationalization strategies of Malaysian, Singaporean and Taiwanese firms. Journal of Asian Business, 24 (3), 85-108.

Emerging MNEs from other Asian countries 2. (India and Southeast Asia)

1. Al-Fadhat, Muhammad Faris (2017): The rise of internationalized capital: ASEAN economic governance an d Indoneasian conglomerates. PhD thesis, Murdoch University, http://researchrepository.murdoch.edu.au/id/eprint/39926
2. Kumar, N. (2008): 'Internationalization of Indian Enterprises: Patterns, Strategies, Ownership Advantages and Implications', RIS Discussion Papaers # 140. Research and

Information System for Developing Countries, Delhi.

3. Gerőcs T (2017): *Internationalization of Indian Multinational Enterprises: motivations, strategies and regulation from the experience of Indian investments: a focus on Europe.* Budapest: Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, 2017. 40 p. (Working Paper; 234.)
4. Gubbi SR, Aulakh PS, Ray S, Sarkar MB, Chittoor R. 2010. Do international acquisitions by emerging-economy firms create shareholder value? The case of Indian firms. Journal of International Business Studies 41: 397–418.
5. Völgyi Katalin (2017): Emerging multinational enterprises from East and Southeast Asia in V4 countries and Slovenia. Budapest: Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences, 2017. 41 p. (Working Paper; 232.)

Driving forces and location choices behind the international expansion strategy of Asian MNEs: Push and pull factors

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2. Bano, S. - Tabbada, J. (2015: 'Foreign Direct Investment Outflows: Asian Developing Countries', Journal of Economic Integration, Vol. 30, No. 2, June 2015 pp. 359- 398.
3. Changsu Kim & Donghyun Park (2015) Emerging Asian MNCs, Asia Pacific Business Review, 21:4, 457-463
4. Dunning, J. H., C. Kim, and D. Park. 2008. "Old Wine in New Bottles: A Comparison of Emerging-market TNCs Today and Developed-Country TNCs Thirty Years Ago." In The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity? edited by K. P. Sauvant, 158–180. Cheltenham: Edward Elgar.
5. Canfei He, Xiuzhen Xie & Shengjun Zhu (2015): Going global: understanding China's outward foreign direct investment from motivational and institutional perspectives. *Post-Communist Economies* Vol. 27 , Iss. 4,2015

6. McCaleb A, Szunomar A (2016): Comparing Chinese, Japanese and South Korean FDI in Central and Eastern Europe In: Joanna Wardega (ed.) *China-Central and Eastern Europe cross-cultural dialogue: society, business, education in transition*. Kraków: Jagiellonian University Press, 2016. pp. 199-212.
7. Rui Torres Oliveira, Jane Menzies, Daniel Borgia & Sandra Figueira (2017): Outward Foreign Direct Investment from Emerging Countries: Theoretical Extension and Evidence from China. *The International Trade Journal* Vol. 31, Iss. 5,2017
8. Justin Paul & Gabriel R. G. Benito (2018): A review of research on outward foreign direct investment from emerging countries, including China: what do we know, how do we know and where should we be heading? *Asia Pacific Business Review* Vol. 24 , Iss. 1,201
9. Saad, Rosfadzimi Mat and Noora, Abd Halim Mohd ; Nor, Abu Hassan Shaari Md (2014): Developing Countries' Outward Investment: Push Factors for Malaysia. Procedia - Social and Behavioral Sciences, Volume 130, 15 May 2014, Pages 237-246
10. Szunomár Ágnes (2017): Driving forces behind the international expansion strategies of Chinese MNEs. IWE Working Paper No. 237, Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences
11. Szunomár, Á (2018): Pull factors for Chinese FDI in East Central Europe. IWE Working Paper 249, Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences
12. Völgyi Katalin (2017): Emerging multinational enterprises from East and Southeast Asia in V4 countries and Slovenia. IWE Working Paper No. 232, Institute of World Economics, Centre for Economic and Regional Studies, Hungarian Academy of Sciences

Company cases – Investment motivations, management and human resource management methods, social responsibility, etc..

1. Chen, M. (1995). *Asian Business Systems: Chinese, Japanese and Korean Styles of Business*. London: Routledge.
2. Robert Fitzgerald & Chris Rowley (2015): How have Japanese multinational companies changed? Competitiveness, management and subsidiaries. *Asia Pacific Business Review*

Vol. 21, Iss. 3.

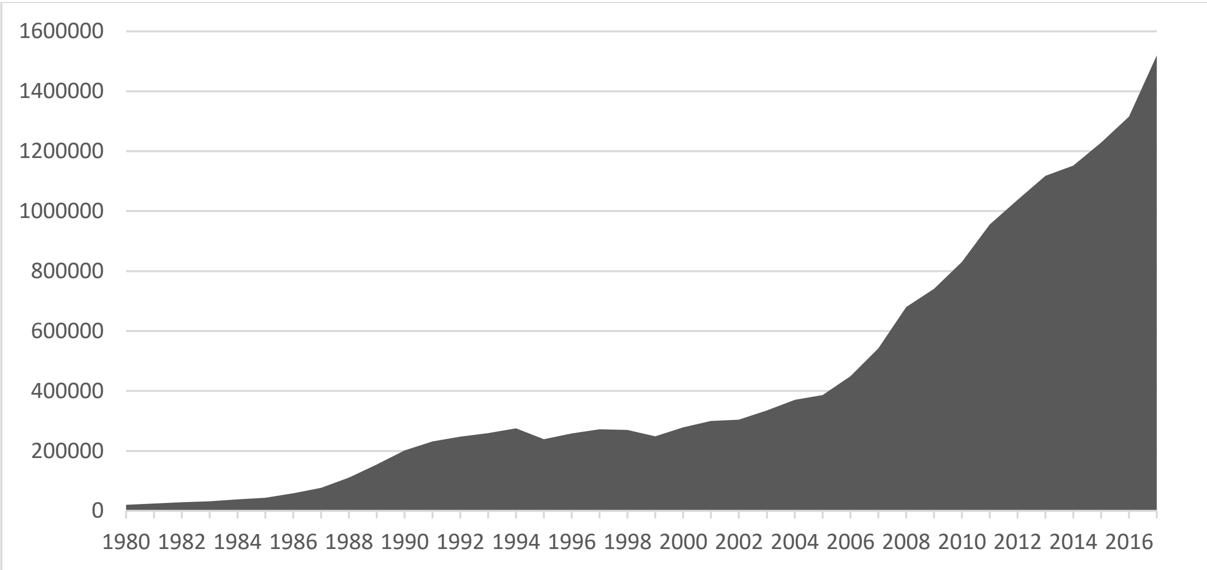
3. Luo, YD; Rui, HC (2009): An Ambidexterity Perspective Toward Multinational Enterprises From Emerging Economies. *Academy of Management Perspectives*. Volume: 23 Issue: 4 Pages: 49-70
4. Drahokoupil J, McCaleb A, Pawlicki P, Szunomár Á (2017): Huawei in Europe: strategic integration of local capabilities in a global production network. In: Drahokoupil J (ed.) *Chinese investment in Europe: corporate strategies and labour relations.* Brussels: European Trade Union Institute (ETUI), 2017. pp. 211-229.
5. Miao Zhang & Christine Edwards (2007): Diffusing 'best practice' in Chinese multinationals: the motivation, facilitation and limitations. *The International Journal of Human Resource Management* Vol. 18 , Iss. 12,2007
6. Szunomár, Á; McCaleb, A (2018): Chinese and other East Asian foreign direct investment in Central and Eastern Europe: motives, location choices and employment approaches. CESIFO FORUM 19 : 4 pp. 9-14.

Outward FDI stock in selected Asian economies

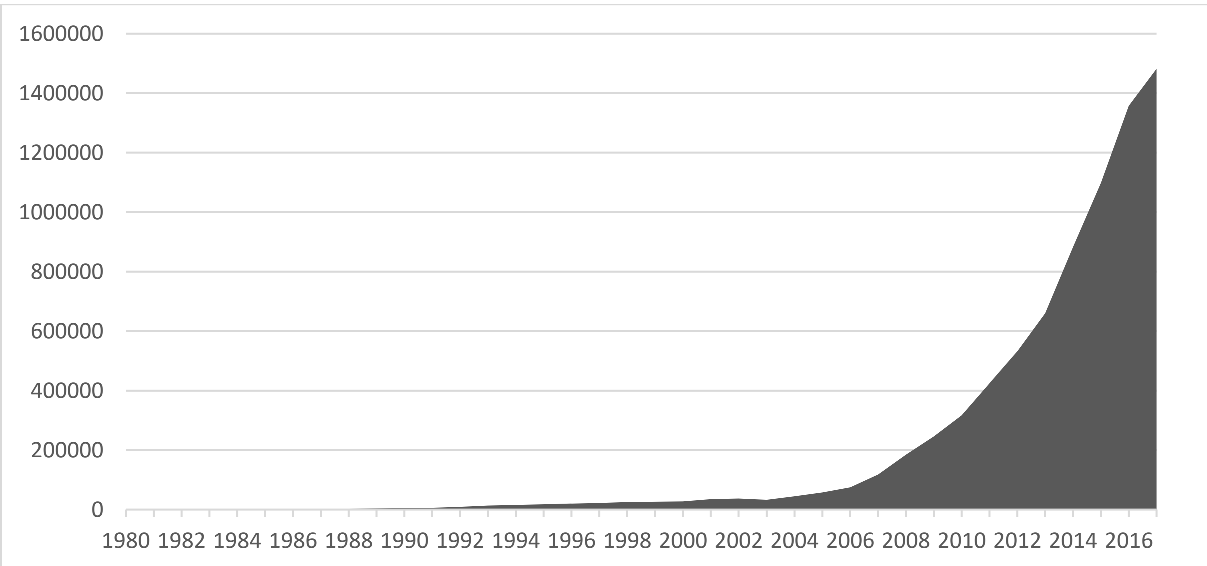
in US Dollars at current prices in millions

data source: UNCTAD Statistics)

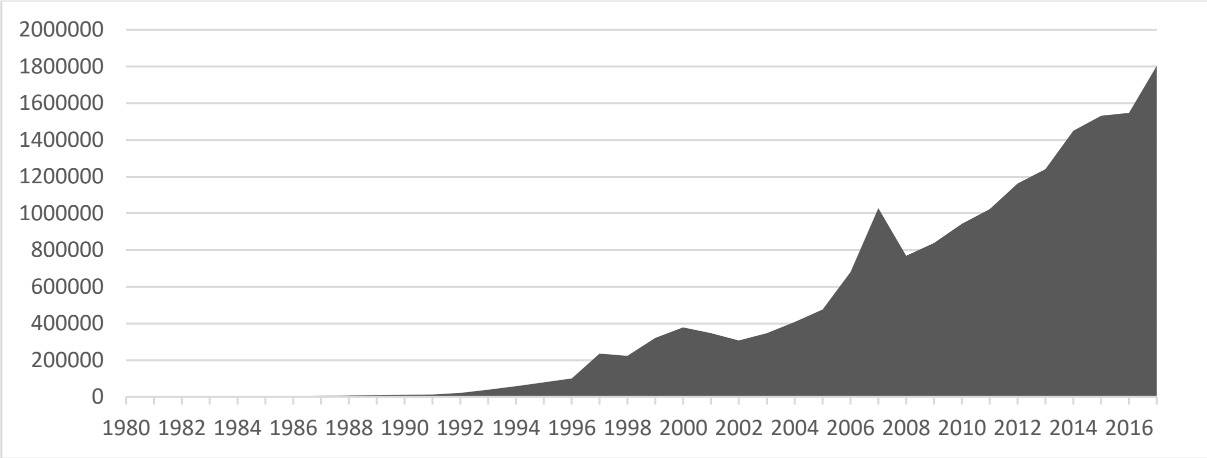
Japanese outward FDI stock



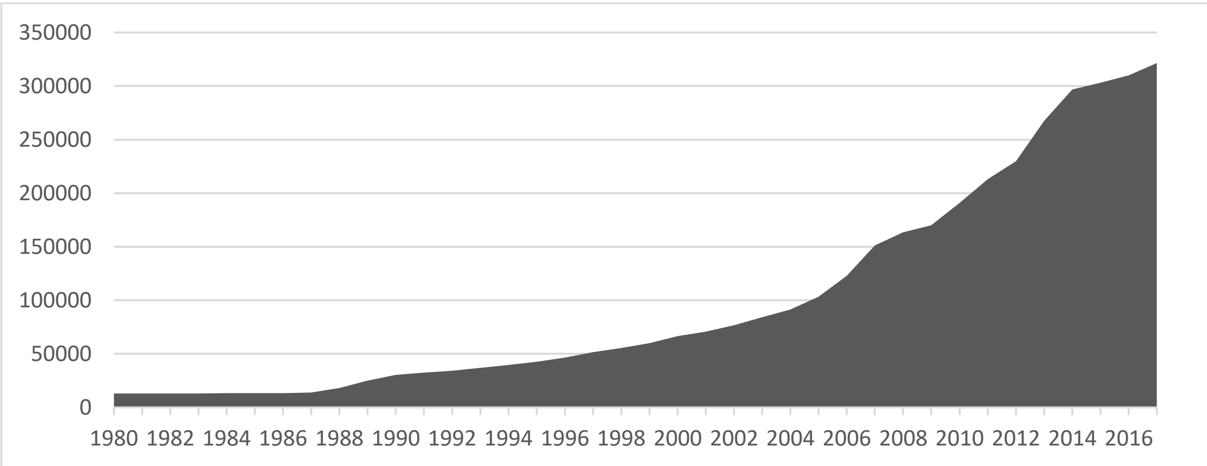
Chinese outward FDI stock



Hong Kong SAR China outward FDI stock



Taiwanese outward FDI stock



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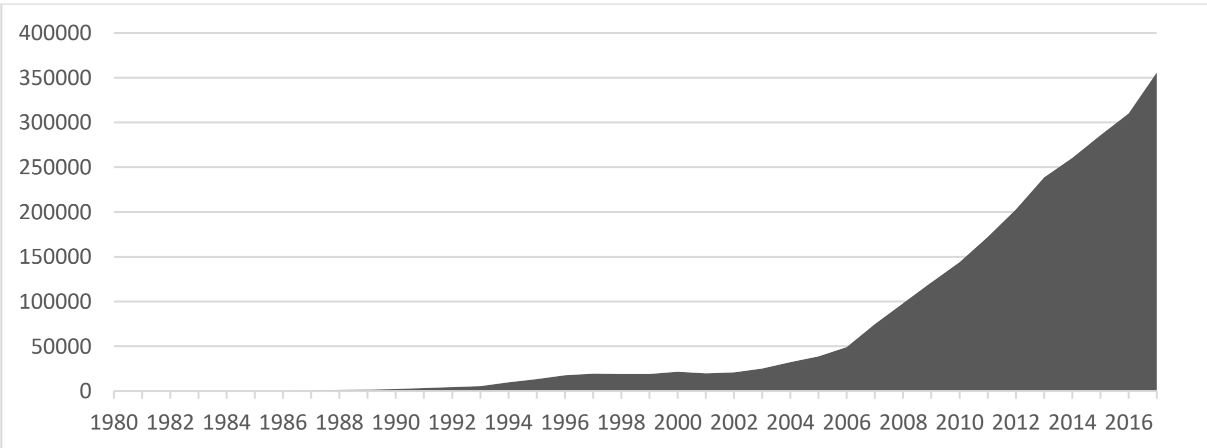
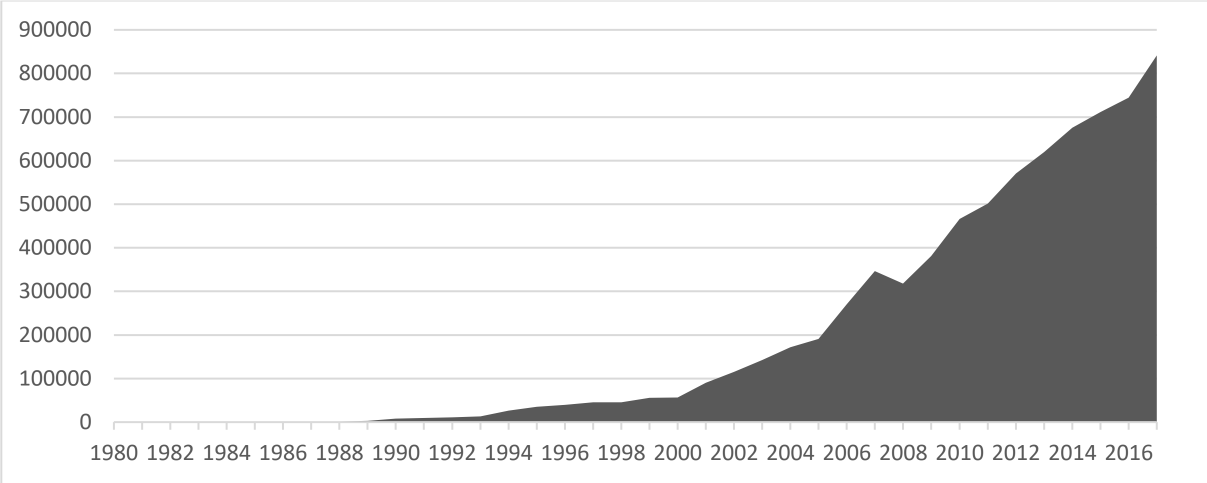


Singaporean outward FDI stock



Indian outward FDI stock